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Ideas on Liberty

MARCH 1978

Jeremiah's Job

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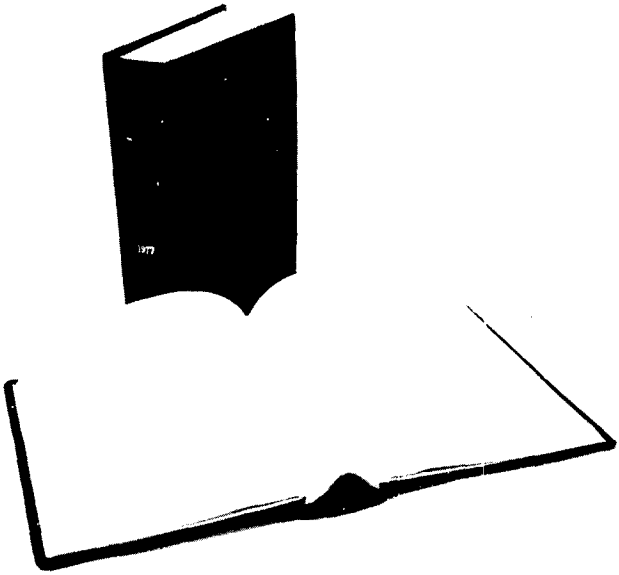

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Leonard E. Read, *President*

Managing Editor: Paul L. Poirot
Production Editor: Beth A. Hoffman
Contributing Editors: Robert G. Anderson
Bettina Bien Greaves
Edmund A. Opitz (Book Reviews)
Brian Summers

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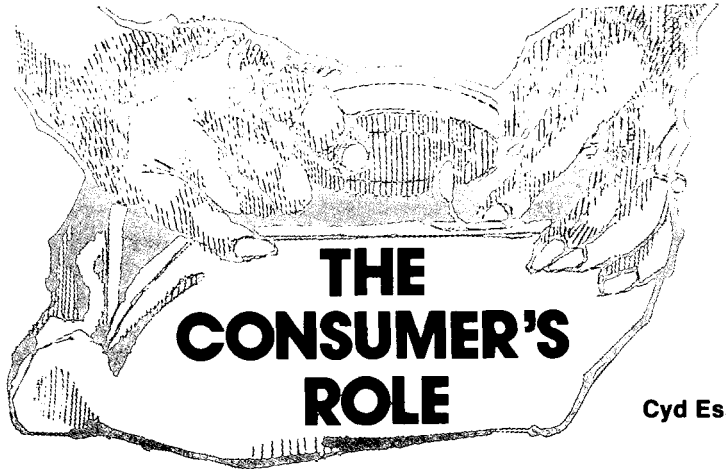

THE CONSUMER'S ROLE

Cyd Essock

It takes little effort to be a consumer. The simple act of buying a good or service is the only requirement for entering the club of consumerism, for in the free market economy the consumer is a special person. Unlike other economic systems, the free market economy, in particular the free market economy of the United States, caters to the consumer, appealing to his wants and attempting to satisfy his desires.

Each individual consumer, consciously or unconsciously, determines the fate of the goods and services on the market each time he chooses one product instead of another. Each penny that is spent on any one product is the equivalent of an economic vote in favor of that particular product and against its competitors.

Therefore, a single consumer and his choices are important, for each consumer's economic vote, when added to the votes of other consumers, determines which consumer goods will remain on the market. Obviously, the entrepreneur will not want to manufacture product A if the consumer does not like product A and prefers to purchase product B.

With the possible exception of the very rich, the individual consumer has limited monetary resources and must budget his expenditures. How he determines his marginal utility will determine how much he will spend, how much he will save or invest, and on what he will make his expenditures.

However, the free market economy depends upon more than just

Miss Essock is a student at the University of Wisconsin, Whitewater, studying journalism, business, and library science and pursuing a career in freelance writing.

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the consumer being able to buy a rib roast or a refrigerator when he so chooses. For the consumer lives in an intangible world of thoughts, ideas, ethics, and morals; and his attitudes toward these cultural aspects of life influence and determine his philosophies and actions. He is just as obligated to consume wisely in this intangible world as he is in the material world in which he physically lives.

Thus the reins of the free market economy lie in the hands of the consumer. And the consumer, because he is in the driver's seat, has an obligation to consume wisely. Unfortunately, too many consumers are either unaware of this obligation, or do not take it seriously, if indeed they even accept the fact that they are obligated to anyone or anything.

Man's Greatest Asset

The human mind is man's greatest asset. Without the ability to think and reason, the individual is of no use to himself or to others; for the thinking man is an active man, active in using his mind to make choices that affect not only himself but the society around him. However, unlike the instincts that birds and animals are born with, man's knowledge and understanding must be acquired through his own endeavors, for he enters this world naked mentally as well as physically. The man who covets knowledge and understanding will find much to learn.

It is *Proverbs* that tells us: Wisdom is before him that hath understanding. . . . Get wisdom, get understanding.

By applying this thought to economics, one can see that an understanding of the free market environment in which the consumer finds himself helps him to develop the wisdom necessary to consume wisely.

King Solomon was known throughout the world for his wisdom—his common sense solutions to problems. This is not to say that all problems can be solved by using just common sense, for they cannot; but the consumer can make sensible decisions by wisely considering his possible choices.

The choices the consumer makes in the intangible world of thoughts and actions are primarily influenced by what he hears and sees.

That the forms of communication in a country are immediately taken over when a communistic or socialistic regime comes into power is evidence of the importance of communication systems. If the means of introducing ideas to the masses can be controlled, what they think and thus what they are can be controlled. By controlling the mind, one can control the body.

Thus, freedom of the press and

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media—newspapers, magazines, books, advertising, television, radio—is a vital necessity if this country is to maintain a capitalistic, free market economy. The field of communication is the link between the consumer, the entrepreneur, and the government.

Promoting Intervention

One of the dangers threatening the free market economy in the United States today is the tendency of the press and media to advocate philosophies that favor government intervention.

Since neither the eargate nor the eyegate is ever satisfied, the sound and visual media have an unlimited market for whatever they choose to present to the consumer; for the consumer is always willing to hear and see more. "Let the consumer beware" can well be applied to this situation because only the consumer himself, through wisdom and understanding, is able to accept or reject the thoughts, ideas, ethics, and morals of others which are continually being fed to him. Only the consumer himself is able to make the choice of what is wise and what is unwise. He will ultimately choose to control his own mind or will choose to let it be controlled for him by others.

Unfortunately, the consumer has not wisely considered his choices in the material world, and the foolish choices of his past are now darkening his hope for a bright future. What has cast this shadow?

The consumer, freed from the mental and physical controls placed on him during the depression of the 30's and the war of the 40's—his pocket amply filled with money—breathed a sigh of relief and moved out of his house of bricks into a house of straw. In his eagerness to spend, he no longer chose to act as a knowledgeable, well-informed, reasoning consumer and this led him into compulsive buying and unsound choices.

As a result, the consumer, instead of accepting responsiblity for his lackadaisical choices, blamed everyone but himself. Instead of correcting a deteriorating situation by starting to consume wisely, he continued buying and complaining and did not change his habits.

Washington, which had stepped into the void created when the demand-supply free market economy had been upset during these two decades, took note of the situation, took the entrepreneur to the woodshed, and took the consumer under its bureaucratic wing, trying to cure the consumer's very real ills with the wrong medicine—intervention in the market place.

Thus, the free market economy found itself being pushed down the road which leads to socialism, for government intervention eventually

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leads to the elimination of the market's reason for being: the making of a profit, an effective tool by which business determines how best to serve the consumer.

While there is little doubt that some entrepreneurs will willingly "fleece" the consumer in a free market economy, the problem is not to be solved by the government. Once the government gets its bureaucratic foot in the door, the choice the consumer may want to make may not be the choice he is allowed to make.

Consumer Responsibility

The trouble with controls in a free market economy is that the government tends to consider the consumer right and the entrepreneur wrong. It puts most of the responsibilities for the success of the free market economy on the shoulders of the entrepreneur and little on the shoulders of the consumer. But the free market economy is very clear in telling the consumer that he is in control and that he has the obligation to consume wisely. However, socialism is telling the consumer to sit back and relax, that government will take over his obligations and save him the trouble of consuming wisely.

For the intellectual consumer who values his freedom to choose and reason, the inroads socialism has made into the free market economy of the United States under the guise of government's helping hand, should be a cause for alarm. Our capitalist economy has regressed to the point where government seemingly wants to allow only enough freedoms to give the illusion of consumer leadership and freedom in the market place.

As long as the majority of the consumers can be convinced that they still act as the hub of the wheel of the free market economy, able to influence the entrepreneur to produce what they want, they are satisfied.

The consumer may even mentally reject the idea that he is being controlled through intervention in the market place if enough of his demands are being supplied and the decisions made by the so-called consumer protection agencies do not seriously impede his consumption. Government control is always what happens to the "other guy," never to himself. His eyes are mentally blinded, for he does not want to see.

Our founding fathers came to this country fully aware of the dictatorial nature of government controls. One of the safeguards they established was the division of power in government. They realized that each branch of government would guard its powers jealously and not surrender them to centralized control, necessary in any type of dictatorship. The various branches of

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the federal, state, and local governments were designed to fight to keep and preserve their governing rights. A check and balance on each other, the system itself would discourage government control. Those leaders set up our government not by accident but as a well-planned, thoughtful system, based on a constitution which divided government powers in every way possible.

Personal Freedom Requires Limited Government

Government powers in the new nation were severely controlled, for it was felt that the government's power should be limited to national defense and the court system. The only power they felt really necessary in the government was one which would permit strong enough controls to repress any person or persons who endangered the freedoms of the majority who were existing peacefully. Realizing that the government which governs best governs least, the founding fathers incorporated the principles of this idea into the constitution.

Over and over again history has shown that man's freedom is in inverse proportion to government rule, for man is only free when government is contained. The more fragmented the government, the more freedom man gains.

One often hears the view expressed that mankind is basically good, but in *Romans* we are warned that "there is none righteous no not one" and *Jeremiah* adds that "the heart is deceitful above all things and desperately wicked." In other words, man must be continually aware of the necessity to discipline his thoughts and actions. It is easy for man to be evil; it is hard for man to be good.

This is why man, who finds himself in a position of power, will tend to put himself first and his fellow man last. This is why power, in whatever form, is a potential danger. History has shown us wars, depressions, and hatreds that have pitted man against man, brother against brother, and parent against child, and at the root lies the lust for power.

Therefore, when the consumer starts applying the above truths of good and evil to economics, he can see that for his own personal well-being it is to his advantage to work at being wary so that he is able to consume wisely. Our liberties and our freedoms are to be cherished and can easily be lost because they are literally tied to the apron strings of a free market economy.

Two Choices

There are only two choices: right or wrong—truth or error. Human intellect must separate the two and apply truth to capitalism, because if it does not, error will prevail and the

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free market economy will cease to exist. Unless man's mind is free, his body never can be.

For the wages of consumer ignorance is government control, the parent of bureaucracy and socialism; but the wages of consumer wisdom and understanding is freedom and liberty. The stakes are high.

Only through the human action of intellectual choice can the consumer hope to play his part in the salvation of the free market economy from the very real threat of eventual domination by government.

IDEAS ON LIBERTY

Consumerism

WE can protect the consumer, but do we really want to close the market and forego all improvements in products and services? Do we really want to substitute administrative dictate from Capitol Hill for individual buyer decision?

Regardless of any new agency that might be created to represent the consumer, and regardless of the growth of consumerism, the only true reading of the consumer is to be obtained from her actions in the market place. There can be no true spokesman for the consumer other than the actions of the consumer herself. She can rationalize her actions but, try as she might, she cannot explain them in full. That is why she cannot tell you what new or modified goods and services would better serve her needs.

In marketing research I have spent the better part of my life ringing consumer doorbells in a futile effort to get them to tell me how some product or market service can be improved or what new products or services they want, only to find that in our conversation they failed either to visualize their alternatives or identify the true values to which they in final analysis respond.

The consumer, in her mute but effective way, can only bring all her value considerations to bear in response to what is offered her. She has her own built-in protective device. If you displease her—if you do not offer her the best alternative—if indeed you deceive her in terms of her own values, she simply and quickly votes "no" in the market place. That is the miracle of the free market—the miracle the consumerist refuses to recognize.

MAX E. BRUNK

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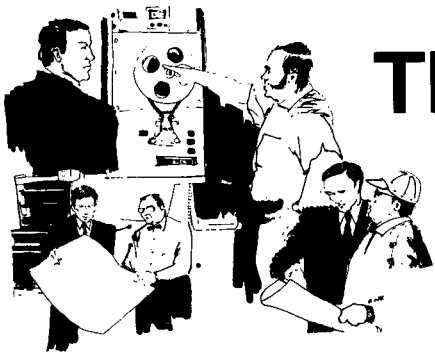
Dennis Bechara



The Market for Labor

THROUGHOUT HISTORY there have been numerous schools of thought dealing with the determination of wages and the proper role of workers. Most of these economic philosophies have opposed the free market method of production and employment and have sought, by various means, to alter our allegedly unjust system. Therefore, in order to understand these proposed means and their inherent fallacies, it is necessary to analyze how wages are determined in the free market.

The concept of marginal productivity describes the economic forces at work in the labor market. When an entrepreneur needs employees, he must offer them enough incentive to entice them away from other possible employers. However, the salary that an employer may offer prospective employees is limited by the realities of the market. Consequently, the employer must weigh how much income he will receive from the production that each new employee will generate. If the employer pays a wage that is above the laborer's marginal productivity, then he will incur losses, which will force him to lower the wages. If, on the other hand, he pays too low a wage, lower than the marginal productivity, then the prospect of gain will entice other entrepreneurs to take advantage of the difference between the marginal productivity and the wages prevailing in the market.

Interventionists, those people who

Mr. Bechara recently earned a master's degree in Labor Law at the University of Pennsylvania. He is an attorney and a member of the bars of the Commonwealth of Puerto Rico and the District of Columbia.

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argue in favor of numerous laws which create minimum conditions for employment, are inconsistent concerning wage determination. They argue that employers are miserly and refuse to give employees a fair wage. The interventionists are thus assuming that employers would not compete against one another for workers, because that would tend to bid wages up toward the point of marginal productivity. But if employers are so guided by avarice, why would they not seize the opportunity for profit when they observe a wide disparity between high marginal productivity and low prevailing wages?

Effect of Unemployment

It is often argued that in the real world we confront an ocean of unemployment and that an entrepreneur does not have to entice employees already employed, so that he is able to offer a salary lower than the marginal productivity. However, to the extent that there is involuntary unemployment, it is a result of the interventionist policies of the government. The consequence of imposing a minimum wage is that those people who cannot produce economic goods worth more than that minimum will not be hired. Furthermore, the imposition of inflexible laws that restrict the labor market create unnecessary and tragic human consequences. The argument that we must combat the result of one government intervention with more government intervention is simply a non sequitur.

Even assuming that the interventionists are correct about the effect of unemployment on wages, the theory of marginal productivity remains unassailable. Inasmuch as those who are unemployed are in such a position as a result of the interventionist policies, they cannot effectively compete on the labor market with the rest of the employees in the market. Hence, marginal productivity still applies to the employed.

If we assume, however, that the unemployed population does compete with the rest of the labor force, the net effect would be to bring about a readjustment in wages, taking the unemployed into consideration. Those who argue that the unemployed can compete with those employed are, in effect, admitting that prevailing wage rates are too high, above the equilibrium level. Otherwise, no involuntary long-term unemployment could result. Therefore, regardless of which point of view we adopt concerning unemployment, the marginal productivity theory cannot be denied.

Syndicalism

Contemporary interventionist philosophy frequently advances the idea of worker ownership-in-

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common of the means of production. The origin of this notion can be found in syndicalism, an historical reaction to the market system. Syndicalism argued for the expropriation of the means of production from rightful owners, and the substitution of the workers themselves as the owners. This method of economic organization would allegedly bring about income equality.

The syndicalist society, however, denied the existence of change. As some workers sell their shares in production, or simply squander them, income inequalities again result, which was the evil that syndicalism was supposed to remedy. When workers die and leave an inheritance, we have the same problem: heirs own shares of enterprises in which they do not necessarily work. Therefore, we find that this system not only created income inequalities, but also allowed people to own shares of entities in which they did not work, both evils in the eyes of the syndicalists. In order to enforce the syndicalist method of production, a great bureaucracy with ever-widening powers needed to be created to redistribute wealth continually so as to eliminate these consequences.

Syndicalism faced difficulties with respect to growing and dying industries. Aside from the obvious problem of the raising of capital, the syndicalist state had no way to deal with the fact that some industries became prosperous, while others were headed toward bankruptcy. The employees of the bankrupt industries would have lost all the assets they earned, while those employed by the growing industries would oppose any new employee from entering their industry since it would imply having to further divide the shares of the enterprise among more people. Consequently, syndicalism induced tremendous rigidities on the labor market.

The syndicalist society failed to perceive the nature of our system, which involves not only production, but exchange. As John Chamberlain put it:

> In the early 1920's the Italian syndicalist trade unions seized the factories. But there followed a sitdown strike of the salesmen, the commercial agents, the factors, the middlemen. Syndicalism had no way of entering the world of commerce, the world of *connection,* which must go either by the law of contract or by administrative fiat. When no provision is made for the world of commerce, a vacuum exists outside of the factories. A state is needed to enforce the freely accepted terms of contracts or to staff an administrative apparatus. If there is no state, gangsters step in to do the job . . .[1]

Inequalities Persist

Syndicalism, therefore, brought about the same income inequalities which it attempted to eliminate. At the same time it denied the economy

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the benefits of market pricing under capitalist production and exchange.

Although it may be easy to neutralize the appeal of syndicalism, the underlying ideas which engendered it remain with us to this very day. These ideas nourish the belief that employees are not receiving their fair share and that laws should therefore be enacted to alter such inequality. Hence we find a rising popularity for such methods as profit sharing and worker participation in managerial decisions (codetermination) as the ways to create a middle ground between pure syndicalism and pure capitalism.

It is possible that profit sharing and codetermination may have positive consequences in some industries, that productivity may rise and that labor-management relations may be improved. However, it does not necessarily follow that what may be good for one firm may be good for the economy as a whole.

With regard to profit sharing and codetermination, it must be remembered that these topics are considered here strictly from the point of view of what would take place in the event laws were enacted to compel every firm to establish its own method of profit sharing and codetermination.

Profit sharing is not a new idea, and has been tried before:

Albert Gallatin, Secretary of the Treasury under Presidents Jefferson and Madison, installed profit sharing in his glass works at New Geneva, Pennsylvania in 1794. Horace Greeley had a profit sharing plan for certain employees at the *New York Tribune,* and was a strong advocate. In 1886, Colonel Procter introduced a profit sharing and general employee relations program at Procter and Gamble. Eastman Kodak joined the ranks of the profit sharers in 1912, and Sears, Roebuck and Company in 1916. In 1920 the National Industrial Conference Board surveyed the field and found fifty-four companies with profit sharing plans; in 1940, its survey uncovered 158 plans.[2]

Profit Must Be Earned

A profit sharing plan may be described as one which is organized so as to make intermittent payments to the employees out of any possible profits. Consequently, the success of the plan is contingent on the success of the enterprise. If there is no profit in a given year, no contributions can be made.

However, the term "profit sharing" is misleading because it implies that profits exist only as the bottom line of an accountant's ledger. Yet, true profits, from a strictly economic point of view, consist of "the reward willing customers accord an entrepreneur who efficiently uses scarce resources to satisfy their wants."[3]

Profits that are shared with employees or taxed away by the state cannot effectively be a part of an

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economic process by which consumers reward the most productive and ingenious entrepreneurs. And what of that portion of profit which represents an interest payment to the investor? If investors are at liberty to place their savings elsewhere to obtain an appropriate yield, it is not feasible to consider sharing the interest portion of profits.

One could argue that if a law were passed imposing profit sharing plans on all enterprises, then there would be no threat of investors withdrawing their funds to other firms. However, this argument fails to realize that under such a law there would be no investment unless the investment yields an interest above the yield which would be confiscated by the profit sharers. Therefore, if a universal profit sharing plan existed, its first consequence would be to reduce and limit investment to those areas profitable enough to cover the profit sharing burden as well as the interest which investors would find acceptable. All other investments which would produce less than that sum would be discontinued, because no investor would find it worthwhile to invest his savings at a negative interest.

No Panacea

Profit sharing does not promise an extensive future. For the years 1969 through 1974, corporate profits after taxes averaged about $55 billion a year. If that entire amount had been divided equally among an average employed labor force of 81 million, each worker's share would have been about $13 a week.[4] But in that case, no profits would have been available as interest or a return to investors. Of course, when we speak in terms of figures and aggregates, we deal with imperfect concepts which tend to be misleading. Historically, an average of 45 per cent of the annual reports of companies show a loss for the year.[5]

Hence, it becomes obvious that the ideal of profit sharing, even if universally applied, cannot become a panacea for our industrial problems. The average employee will see his particular work as too far removed from the actual profits earned, so that the motivation to be more productive is very weak.

Problems dealing with equity will also arise every time the profit is divided, each sector of the labor force demanding a larger share than the one actually allocated to it. Similar difficulties will emerge regarding the "fair" division of the profit between shareholders and employees.

Profit sharing is also a deceiving term because its proponents use it to allude to a mechanism for raising wages. After dividing among the employees what the proponents call profit, there will still be some amount left over for investors,

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which will be considered as the net profit. The amount divided among the workers, rather than profit, is another wage, a bonus which is part and parcel of the costs of production.

Whatever the problems inherent in the profit sharing idea, some firms still may see it as the better way to pay their workers according to their marginal productivity. This is tolerable in a free market, and there should be no law against it. But neither should the law deny others their liberty by making profit sharing universal and compulsory.

Codetermination

Codetermination has become a reality in many West European countries. Although each country may have its own devices, the general tendency is to allow a certain number of employees on the board of directors, so that both labor and management may have an influence on decisions which may affect the employees.

As in the case of profit sharing, in the free market some firms may look upon the process of codetermination as their better way to compete for employees—and that should be their privilege. However, we are dealing in this essay not with the voluntary actions of employers and employees, but with the possibility that laws be enacted to force this concept on all corporations.

In a sense, codetermination is a thrust against the concept of private property, a limitation of property rights but short of outright expropriation. Others than the property owner would enter into the decisions about how to risk his investment. Instead of economic efficiency, the guide would become political expedience. And if business activity is thus politicized, where is the process to end?[6]

In the long run, an employer cannot impose his will on his employees because he is limited by the action of the market. If the employer insists on conducting his personnel affairs in an arbitrary manner, he will lose the most efficient of his employees, who will be hired by his competitors. If an employer insists on acting in an authoritarian way, he will find that in the long run the quality of his employees will deteriorate, the products he manufactures will reflect this and his business will generally be affected. Thus does open competition in the market effectively curb the abuses cited by proponents of codetermination.

In addition to those who advocate forced profit sharing and codetermination are others who believe that the only way to raise wages is through union pressure on employers. However, the price mechanism has its effect here as in any other area where commodities are bought and sold. It is possible that unions will be able to obtain wages higher

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than the market level, but adverse effects will follow. In the first place, the industry involved may have to raise its prices to pay for the higher production costs. This may reduce demand for that company's products, so that some employees will be discharged. Conversely, if the demand for these products is not as responsive to their price, then the consumers will have that much money less to spend or invest on other products, so that other industries will suffer a decrease in their business. At the same time, the long-run effect of wages higher than the equilibrium level in any industry, as imposed by union pressure, is to trap capital. As a result of this, investors will no longer be willing to reinvest in such industries, and the apparent benefits of union pressure become short-lived.

Capital the Key

The only true way for raising wages is to allow for capital formation. Marginal productivity determines wages in the market, but that productivity is affected by the amount of capital invested per employee. American workers are more productive not because they are any more intelligent than other workers, but because they have at their disposal more efficient and more productive tools. These efficient tools alone cannot guarantee that profits will be made, since profits depend on the behavior of willing customers whose needs have been correctly anticipated. However, once consumer preferences are correctly foreseen, then the more productive the tools the more the marginal productivity of employees rises.

What we may wisely ask of government is that it not interfere with capital formation and that it respect and protect private property and the right of every individual to contract and trade freely with others who are willing. ⊕

—FOOTNOTES—

[1]John Chamberlain, *The Roots of Capitalism* (Indianapolis: Liberty Press, 1976), p. 245. See also Ludwig von Mises, *Human Action* (Chicago: Henry Regnery Co., 3rd ed. 1966), pp. 812-820.

[2]Claude Robinson, *Understanding Profits* (Princeton: D. Van Nostrand Co., 1961), p. 303.

[3]"Profit Sharing," *The Freeman,* December 1973.

[4]*Statistical Abstract of the United States* 1976, U.S. Department of Commerce, Bureau of the Census.

[5]Robinson, *op. cit.,* p. 79.

[6]"Implications of representation trend for U.S. corporations," *Harvard Business Review,* January/February 1977. "The Realities of Co-Determination," *The AFL-CIO American Federationist,* October 1977. "Participation by Agreement," *Lloyds Bank Review,* July 1977.

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Gary North

Jeremiah's Job

SOONER or later, those who are interested in the philosophy of liberty run across Albert J. Nock's essay, "Isaiah's Job." Taking as an example two Old Testament prophets, Isaiah and Elijah, Nock makes at least two important points. *First,* until society seems to be disintegrating around our ears, not many people are going to listen to a critic who comes in the name of principled action. The masses want to get all the benefits of principled action, but they also want to continue to follow their unprincipled ways. They want the fruits but not the roots of morality. Therefore, they refuse to listen to prophets. *Second,* Nock pointed out, the prophet Elijah was convinced that he was the last of the faithful, or what Nock calls the Remnant. Not so, God told the prophet; He had kept seven thousand others from the rot of the day.

Dr. North is President of the Institute for Christian Economics, located in Durham, North Carolina.

Elijah had no idea that there were this many faithful people left. He had not seen any of them. He had heard no reports of them. Yet here was God, telling him that they were out there. Thus, Nock concludes, it does no good to count heads. The people whose heads are available for counting are not the ones you ought to be interested in. Whether or not people listen is irrelevant; the important thing is that the prophet makes the message clear and consistent. He is not to water down the truth for the sake of mass appeal.

Nock's essay helps those of us who are used to the idea that we should measure our success by the number of people we convince. We are "scalphunters," when we ought to be prophets. The prophets were not supposed to give the message out in order to win lots of public support. On the contrary, they were supposed to give the message for the sake of truth. They were to witness to a

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generation which would not respond to the message. The truth was therefore its own justification. Those who were supposed to hear, namely, the Remnant, would get the message, one way or the other. They were the people who counted. Lesson: the people who count can't be counted. Not by prophets, anyway.

A Sad Message

The main trouble I have with Nock's essay is that he excluded another very important prophet. That prophet was Jeremiah. He was a contemporary of Isaiah, and God gave him virtually the same message. He was told to go to the highest leaders in the land, to the average man in the street, and to everyone in between, and proclaim the message. He was to tell them that they were in violation of basic moral law in everything they did, and that if they did not turn away from their false beliefs and wicked practices, they would see their society totally devastated. In this respect, Jeremiah's task was not fundamentally different from Isaiah's.

Nevertheless, there were some differences. Jeremiah also wrote (or dictated) a book. He was not content to preach an unpleasant message to skeptical and hostile people. He wanted to record the results of their unwillingness to listen. His thoughts are preserved in the saddest book in the Bible, the Book of Lamentations. Though he knew in advance that the masses would reject his message, he also knew that there would be great suffering in Israel because of their stiffnecked response. Furthermore, the Remnant would pay the same price in the short run. They, too, would be carried off into captivity. They, too, would lose their possessions and die in a foreign land. They would not be protected from disaster just because they happened to be decent people who were not immersed in the practices of their day. He wrote these words in response to the coming of the predicted judgment: "Mine eye runneth down with rivers of water for the destruction of the daughter of my people" (Lam. 3:48). He knew that their punishment was well deserved, yet he was also a part of them. The destruction was so great that not a glimmer of hope appears in the whole book.

What are we to conclude? That everything is hopeless? That no one will listen, ever, to the truth? That every society will eventually be ripe for judgment, and that this collapse will allow no one to escape? Is it useless, historically speaking, to serve in the Remnant? Are we forever to be ground down in the millstones of history?

One key incident in Jeremiah's life gives us the answer. It appears in the thirty-second chapter of Jeremiah, a much-neglected pas-

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sage. The Babylonians (Chaldeans) have besieged Jerusalem. There was little doubt in anyone's mind that the city would fall to the invaders. God told Jeremiah that in the midst of this crisis, his cousin would approach him and make him an offer. He would offer Jeremiah the right, as a relative, to buy a particular field which was in the cousin's side of the family. Sure enough, the cousin arrived with just this offer. The cousin was "playing it smart." He was selling off a field that was about to fall into the hands of the enemy, and in exchange he would be given silver, a highly liquid, easily concealed, transportable form of capital—an international currency. Not bad for him, since all he would be giving up would be a piece of ground that the enemy would probably take over anyway.

Long-Range Planning

What were God's instructions to Jeremiah? *Buy the field.* So Jeremiah took his silver, and witnesses, and balances (honest money), and they made the transaction. Then Jeremiah instructed Baruch, a scribe, to record the evidence. (It may be that Jeremiah was illiterate, as were most men of his day.) Baruch was told by Jeremiah to put the evidences of the sale into an earthen vessel for long-term storage. "For thus saith the Lord of hosts, the God of Israel; Houses and fields and vineyards shall be possessed again in this land" (32:15).

God explained His purposes at the end of the chapter. Yes, the city would fall. Yes, the people would go into captivity. Yes, their sins had brought this upon them. But this is not the end of the story. "Behold, I will gather them out of all countries, whither I have driven them in mine anger, and in my fury, and in great wrath; and I will bring them again unto this place, and I will cause them to dwell safely: And they shall be my people, and I will be their God" (32:37-38). It doesn't stop there, either: "Like as I have brought all this great evil upon this people, so will I bring upon them all the good that I have promised them. And fields shall be bought in this land, whereof ye say, It is desolate without man or beast; it is given into the hand of the Chaldeans" (32:42-43).

What was God's message to Jeremiah? *There is hope for the long run for those who are faithful to His message.* There will eventually come a day when truth will out, when law will reign supreme, when men will buy and sell, when contracts will be honored. "Men shall buy fields for money, and subscribe evidences, and seal them, and take witnesses in the land of Benjamin, and in the places about Jerusalem, and in the cities of Judah, and in the cities of the mountains, and in the cities of the valley,

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and in the cities of the south: for I will cause their captivity to return, saith the Lord" (32:44). In other words, business will return because the law of God will be understood and honored.

God had told them that they would be in captivity for seventy years. It would be long enough to make certain that Jeremiah would not be coming back to claim his field. Yet there was hope nonetheless. The prophet is not to imagine that all good things will come in his own day. He is not to be a short-term optimist. He is not to conclude that his words will turn everything around, making him the hero of the hour. He is told to look at the long run, to preach in the short run, and to go about his normal business. Plan for the future. Buy and sell. Continue to speak out when times are opportune. Tell anyone who will listen of the coming judgment, but remind them also that all is not lost forever just because everything seems to be lost today.

The Job Is to Be Honest

The prophet's job is to be honest. He must face the laws of reality. If bad principles lead to bad actions, then bad consequences will surely follow. These laws of reality cannot be underestimated. In fact, it is the prophet's task to reaffirm their validity by his message. He pulls no punches. Things are not "fairly bad" if morality is ignored or laughed at. Things are terrible, and people should understand this. Still, there is hope. Men can change their minds. The prophet knows that in "good" times, rebellious people usually don't change their minds. In fact, that most reluctant of prophets, Jonah, was so startled when the city of Nineveh repented that he pouted that the promised judgment never came, making him look like an idiot—an attitude which God reproached. But in the days of Elijah, Isaiah, and Jeremiah, the pragmatists of Israel were not about to turn back to the moral laws which had provided their prosperity. It would take seven decades of captivity to bring them, or rather their children and grandchildren, back to the truth.

Invest long-term, God told Jeremiah. Invest as if all were not lost. Invest as if your message, eventually, will bear fruit. Invest in the face of despair, when everyone is running scared. Invest for the benefit of your children and grandchildren. Invest as if everything doesn't depend on the prophet, since prophets, being men, are not omniscient or omnipotent. Invest as if moral law will one day be respected. Keep plugging away, even if you yourself will never live to see the people return to their senses and return to their land. Don't minimize the extent of the destruction. Don't

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rejoice at the plight of your enemies. Don't despair at the fact that the Remnant is caught in the whirlpool of destruction. Shed tears if you must, but most important, keep records. Plan for the future. Never give an inch.

A prophet is no Pollyanna, no Dr. Pangloss. He faces reality. Reality is his calling in life. To tell people things are terrible when they think everything is fine, and to offer hope when they think everything is lost. To tell the truth, whatever the cost, and not to let short-term considerations blur one's vision. The Remnant is there. The Remnant will survive. Eventually, the Remnant will become the masses, since truth will out. But until that day, for which all prophets should rejoice, despite the fact that few will see its dawning, the prophet must do his best to understand reality and present it in the most effective way he knows how. That is Jeremiah's job.

To Be Forewarned . . .

PERSONALLY I can see nothing in sight that is likely to stop our drift in the inflation current. The politicians will not stop the present heavy expenditures because these expenditures have votes and it is with votes they are most concerned. For the same reason they will not provide the revenue for meeting these expenditures through increasing taxation. Under such conditions, the public will not buy government bonds at rates of interest that are politically possible and pay for those bonds out of their savings. If these assumptions are true, and unless we have a powerful recovery which is not likely while the business public are scared over what is happening and is likely to happen in Washington, the only course that is left is a continuation of our present extravagant financing policy under which funds are obtained by forcing government

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obligations down the throats of the banks and having the banks pay for them by credit secured by these obligations. That is inflation pure and simple and there can be only one end of such a policy.

—From a letter by Professor Edwin Walter Kemmerer, Princeton University, to Henry T. Bodman, January 28, 1936.

MOST of the states are at the end of the road financially. The same thing is true of the cities. Yet when the war is over the demands upon these local government agencies will be beyond their power. How will the states and cities meet the enormous costs of education? The answer is simple. The government is already laying plans to become their banker and financial fortress—the banker of the states and cities and school districts and counties. Governors, county commissioners, mayors, and school-board members will stand in line at the federal treasury for their handouts. They will stand in line not before Congress but before a federal bureaucrat with almost absolute powers in his hands. Will it be necessary to amend the Constitution to give that bureaucratic spendthrift power over the object of his philanthropy? He will have no constitutional power to require either a state or a city or a school district or an industrial corporation or a building company or a local utility to do anything. But he will have the power to give or not to give, to open the treasury door or not to open it to the suppliant governor, mayor, or corporation executive. The pass admitting them to the vaults of the treasury will be a certificate of compliance with the conditions which the bureaucrat makes for the federal gift.

John T. Flynn,
***As We Go Marching* (1944)**

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World in the Grip of an Idea

Clarence B. Carson

15. Sweden: The Matrix of Tradition and Gradualism

To the north, Sweden extends into the Arctic circle. In summer, that portion of the country is in the land of the midnight sun. In winter, there is darkness at noon. Even as far south as Stockholm the sun does not ascend very high in the midst of winter. Such light as it gives for a short time is more like twilight than daylight. Indeed, it is appropriate to think of Sweden as a Twilight Zone.

Physically, Sweden lies very near to the twilight zone between Soviet Communism and the Europe that yet enjoys considerable freedom. Its northern boundary is not far from that of the Soviet Union. Its southern boundary is across the Baltic Sea from East Germany. Socially, Sweden is in the twilight zone between tradition and the compulsion of socialism. Economically, Sweden is in the twilight zone between private enterprise and the controlled economy. Internationally, Sweden has long been neutral, a twilight zone inhabited by nations which refuse to take sides. Gradualism, or evolutionary socialism, is a twilight

In this series, Dr. Carson examines the connection between ideology and the revolutions of our time and traces the impact on several major countries and the spread of the ideas and practices around the world.

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zone, and Sweden has for a good many years been the reputed showpiece of that ideology.

Why Sweden ?

There are several good reasons for selecting Sweden as one of the exemplars of evolutionary socialism. The most obvious reason is in some ways the least convincing: namely, Sweden's reputation as a socialist country. This, it turns out, is largely press agentry. There should be no doubt that the idea that has the world in its grip has a firm grasp on Sweden; but Sweden is not socialist by conventional definitions, an important point to which we will return. Nevertheless, Sweden has had some forty years under the political leadership of Social Democrats, a party that is professedly socialist and has its roots in Marxism. Nowhere is the welfare state aspect of the idea more firmly imbedded.

Another reason for selecting Sweden is the place that tradition still formally holds in the country. Evolutionary socialism is everywhere national socialism (which is to say that it occurs within the framework of nations and partakes of the character of each particular nation), but even so there are two distinct political settings in which it has taken place: monarchies and republics. Sweden is a monarchy. As such, it belongs to a configuration of nations, largely on the periphery of Europe, such as Denmark, Norway, the Netherlands, and England, which have thus far survived the thrust to republicanism which had its onset in Europe with the French Revolution. At any rate, Sweden has a monarch, an established church, and an hereditary nobility.

Such things are, of course, anathema to socialists. Every good socialist is *ipso facto* a republican, an anti-monarchist, an opponent of the religious establishment, and despises all signs of inequality—in theory, anyway. In practice, it has not worked quite that way. Evolutionary socialism has made some of its deepest inroads in lands with hereditary monarchs. Gradualism has proceeded most smoothly and with the least disturbance in these lands.

There is a reason for this. In republics, men are theoretically equal before the law, and they do not relish or readily accept the intrusions in their affairs that come with gradualism. To put it another way, republicans are generally anti-authoritarian, and socialists are bent on using the political authority to accomplish their ends.

By contrast, monarchs are the very symbols of authoritarianism. People living under them have been conditioned to accept the imposition of authority by those who rule.

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Socialists may not be comfortable bedfellows with kings, but the exercise of arbitrary power is made easier for them when they have the royal authority behind them. Tradition, too, accommodates change, even those changes made by evolutionary socialism which destroy tradition at its roots. For these reasons, it is important to examine gradualism against a monarchical background.

There is yet another reason for selecting Sweden. Sweden is an industrialized country with a relatively high standard of living. As such things go, it is a prosperous country. When choosing examples, it is better to take from what are reckoned to be the best than to take the worst.

Evolutionary Socialism

It is a considerable transition to shift from examining revolutionary socialism to evolutionary socialism. The existing differences should not be ignored. Revolutionary socialism is brutal, tyrannical, destructive, and dictatorial. Its most conspicuous fruits are totalitarianism and total war. The "law school" of revolutionary socialism is the concentration camp, as has been pointed out. Citizens in such countries are only by some degrees removed from slavery. Gradualism, in a country such as Sweden, is clearly an improvement over such conditions. It is, however, only a shift from darkness into the twilight.

Revolutionary and evolutionary socialists are brothers under the skin. To put it in the terms of this work, communists, Nazis, and gradualists are ideological brothers. All of them derive their spring from the same central idea. That is, they aim to concert all energies toward common goals, to root out and destroy all cultural supports to the individual's pursuit of his own self-interest, and use government power to impose their programs. They differ as to methods, not as to goals.

There are two major differences between revolutionary and evolutionary socialism, along with subsidiary ones. One major difference is that evolutionary socialists are pragmatic rather than dogmatic. That is, they are pragmatic as to method though they may be equally dogmatic with revolutionary socialists as to goals. When they are being pragmatic, they may, for example, prefer the control of industry over ownership. In like manner, they may abandon one sort of approach in favor of another without any sense of betraying their goals. One way to say it is that they do not know exactly how socialism will be achieved, or when, but they believe that they are headed in the right direction so long as more and more control over affairs is being collectivized.

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Democratic Methods

Another major difference between gradualists and revolutionaries is that gradualists propose to achieve their ends democratically. They advocate and generally hold free elections, advance near universal suffrage, and permit a variety of candidates to enter the races for office. There is, however, a fundamental contradiction in their position. The implicit theory on which they operate holds that by the process of voting and election the government becomes the voice and arm of society. Society is, so to speak, politicized and empowered. (Rousseau's theory of the "general will" is the best known and probably most thorough exposition of this notion. It is set forth in *The Social Contract.*)

In fact, however, modern democracies operate by the rule of majorities and pluralities. Even if we assume that the output from voting machines could somehow be the will of society—a notion which puts considerable strain on the imagination—society is divided by democratic elections. Nor can it be otherwise if there are to be choices of candidates and positions.

Whatever the virtues of majoritarian rule, unity is not one of them. Yet it is essential to the idea that has the world in its grip that government should act to concert all efforts for the common good. If society is divided as to what constitutes the common good, this can be but a forcing of some people's notions of the common good on others. Hitler's plebiscites and Soviet Communism's one-party slates are much more nearly consistent with the idea. It is fundamentally inconsistent to suppose that real choices can be made politically, that society can be politicized, and that there can be general accord on actions taken. If society could be politicized it would be polarized by every election.

Gradualists attempt to paper over this contradiction. Their programs are what "the people" want, they are given to saying. Theirs are "social reforms," they declare, implying somehow that they arise from society. Too, they attempt to narrow the gap between parties by having them all support similar ideas and policies. To the extent that they can get agreement that whatever is at issue is a legitimate concern of government, they tend to succeed in this. To the extent that they are able to keep the issue in the frame of how much and when, rather than whether, they tend to succeed also. These tactics tend both to obscure the real divisions among a people and enable gradualists to advance toward their goal step by step.

Gradualists generally preserve the *procedural* protections of civil liberties. Thus far, this is a critical difference between evolutionary and revolutionary socialism. Procedures

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tend only to be a facade for revolutionaries, something to be ignored if they get in the way of the desired line of action. Procedural protections have generally enabled citizens in lands where gradualism holds sway to enjoy a considerable variety of civil liberties. But procedures are just that—established ways for government to act—not anything substantial.

Utilitarian Justification of Liberties

There is no place in socialist ideology for liberties to be natural rights; their only theoretical justification is utilitarian. Utility is a slippery concept at best, and where the common good is arbiter of utility, utility is whatever those who have the power to determine it say it is. There are two other supports to civil liberty: tradition (which includes constitutions) and private property. Since gradualists are devoted to eroding away tradition and private property, the more they succeed the more precarious will be civil liberties.

Be all that as it may, there are important differences between revolutionary and evolutionary socialism. The differences become blurred in many countries of what is called the Third World. But in the constitutional democracies of Western Europe and America the differences are thus far clear and distinct. The tyranny of communism is on a different scale and order from anything yet occurring in these lands. Gradualists operate within the framework of laws, however attenuated these may become, to achieve their ends. They do not usually crush groups; rather, they empower them within a framework of controls. It is the individual, then, who usually feels the weight of their force. He is isolated if he does not belong to some group. He is powerless, or nearly so, if he cannot conjure up some popular support. If he does not yield voluntarily to the weight of numbers, he will most likely be punished by the state. The individual's last line of defense is his property, but that is increasingly circumscribed as gradualism advances.

So it is in Sweden and in other lands where gradualism holds sway.

Even so, Sweden is not a socialist country by conventional definition. By the usual definition, socialism prevails when the government owns the means of production and distribution of goods. This is hardly the case in Sweden. Most of the productive enterprises in Sweden are privately owned. A London newspaper said, "Sweden has proportionately more private enterprise than any other country in west Europe."[1] The usual figures cited run something like this: about 4 per cent of the enterprises are state owned; 4 per

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cent cooperatively owned; and the remainder privately owned. The state is deeply involved in iron mining, the railways, the airlines, atomic energy, making of alcoholic beverages, and such like. Most of the rest of manufacturing is privately owned.[2] It is most important to understand this when we come to discuss the sources of Swedish prosperity.

Astute Publicity

The notion that Sweden is socialist, in the conventional sense, is made up partly of assumption and partly of astute publicity. Until very recently, the Social Democrats have headed the governments in Sweden since the 1930's. The Social Democratic Party originated as a Marxist party, shifted toward gradualism, but continued to claim to be socialist. The long years of rule gave the impression, which Social Democrats found more advantage to claiming than denying, that Sweden was socialist.

Many Americans got their notions about Sweden from a little book by Marquis Childs. It is called *Sweden: The Middle Way,* was first published in 1936, and has appeared in several editions and a good many printings. Childs hailed Sweden as the exemplar of the middle way between communism and fascism. The "wave of the future" which Childs thought he beheld in Sweden was collectivism largely by way of cooperatives. However, Sweden did not develop along the lines that Childs foresaw in the mid-1930's. Cooperatives never gained much of a foothold in manufacturing and related enterprises, though they were somewhat more successful in merchandising. However mistaken his prophecy, Childs helped to spread the notion of a socialist Sweden.

If the Social Democrats had been bent on nationalizing Swedish industry, which some no doubt were, they never gained the kind of majorities that would have given them a free hand. Usually, they had only a plurality and had to govern along with some other party. They could ordinarily command only a slight majority in the *Riksdag* for much less controversial undertakings than the wholesale nationalizing of industries. But it is by no means clear that they would have gone that route had their support been much more substantial.

In any case, Swedish prosperity can hardly be attributed to socialism as it is usually defined. Moreover, it is greatly to be doubted that socialism, however it may be defined or extended in meaning, plays any significant role in that prosperity. There are other and more cogent reasons which provide a sufficient explanation for that.

Sweden has some important natural resources and advantages of lo-

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cation. Perhaps the most impressive natural resource is the huge reserve of some of the finest iron ore in the world. Much of Sweden is forested, and lumbering, paper, and pulp are major industries. Streams in the north with their origins in the mountains provide the basis for numerous hydroelectric dams. Although Sweden lies north of the United States in latitude the climate is much milder than might be supposed, particularly in the south, owing to warming by the Gulf Stream. Hence, farming flourishes in southern Sweden. For the same reason, ports are generally open year round on the Baltic. Shipping and shipbuilding are major industries in Sweden.

A Trading Nation

What Sweden lacks, above all, are deposits of coal, oil, and gas. These must be imported, and Swedish industry and prosperity depend upon foreign trade. Indeed, Sweden is one of the major trading nations in the world. Fine Swedish steel has long enjoyed an international reputation, and Swedes compete on the world market in some of the most advanced products of modern technology. It may well be that the Swedes are addicted to modernity as much as or more than any other people in the world.

Sweden has enjoyed and benefited from over 160 years of being at peace at home and abroad. The country has not gone to war since the end of the Napoleonic wars. The Swedes have been in our era if not the most peaceful people at least among the most neutral. Their energy and vitality have not been sapped by war, and their cities and countryside have not been destroyed by an invader. True, the Swedes maintain a considerable military establishment, and their troops have gone forth in recent times on call from the United Nations, but Sweden continues to enjoy the benefits of peace.

The Swedes have been a remarkably homogenous people ethnically and religiously. This may have contributed little to their prosperity in recent times, but it has probably made it much easier to remain at peace. Minorities, when they are very numerous, sometimes—oftimes—make for internal discord, and if they are recently from other lands they may well promote involvement in wars.

At any rate, the Swedes are very nearly separated from the mainland of continental Europe by the sea, joined by land only to Norway and Finland, and have not been troubled for a long while by invasions or propulsive migrations of other peoples. Until the twentieth century, the flow of Swedes was outward rather than of other peoples toward them. The Vikings pressed down-

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ward upon Europe in the Middle Ages, and many of them settled there. Even as late as the latter part of the nineteenth century, there was a massive Swedish migration to the United States. By contrast, other peoples have not been drawn to Sweden. Before the twentieth century, the people were generally poor, and the climate is such that only Eskimos, Finns, and some Norwegians would find it an improvement.

Religion and Other Factors

As to religion, most Swedes are technically Lutherans, as their forebears have been for centuries. There is only a scattering of Jews and Roman Catholics among them, and the "free" Protestant churches have drawn but a few into their fold. Motorcycle riders are more numerous than any of these minorities, are probably more influential, and are certainly more likely to disturb the peace.

Resources, location, peace, and other such conditions are but potentialities, however. What makes the difference is the use of resources, the taking advantage of location, and the following of productive peaceful pursuits. Location and relative weakness may have contributed to Sweden's neutrality, but the peace achieved has been the result of a more positive concept than that. It has been the concept of a world drawn together in trade, in intellectual interchange, free movement of people, and living in mutual tolerance of one another. The Swedes appear to have grasped more clearly than most that their prosperity and well-being was dependent on a far-flung trade which worked best in times of peace.

More than anything else, it was the triumph of liberalism in nineteenth century Sweden which loosed the energies of the people who began to change the potentialities of their condition into the actuality of productivity and prosperity. The foundations of Swedish prosperity were laid in a series of developments which took place between 1750 and the third quarter of the nineteenth century.

Land Reforms

The first major development was the break-up of the medieval pattern of farming. This occurred by two related developments: the enclosure of land into consolidated holdings, and the acquiring of more and more land privately owned as small and medium-sized farms. Swedish tenants had customarily tended several small strips of land spread out over an estate. The consolidation of holdings began in the latter part of the eighteenth century and continued apace in the nineteenth century. As a result, there was considerable increase in agricultural production.

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Another major development was the freeing of trade. Sweden was, in the Age of Mercantilism (seventeenth and eighteenth centuries most notably and disastrously), under the sway of mercantile practices. The Swedish government levied tariffs on exports and imports, granted monopolies, subsidized production, and restricted domestic trade. These restrictions may well have peaked just after the Napoleonic wars when hundreds of items were placed on a forbidden list. The results were disastrous.

By the 1820's a counter trend was getting underway, and by 1860 trade was substantially free so far as the Swedes were concerned. Accompanying the establishment of free-trade was the freeing of enterprise generally from the fetters of mercantilism. Free trade is often thought of as an absence of or very low tariffs. This, however, is only its most obvious surface feature. What is more deeply involved is the opening of the way for whoever will to offer his custom in the market-place. At its outermost reaches, it is free enterprise.

When enterprise was substantially freed, there was a rapid growth in industrial and agricultural production. These developments are well described by a historian of Sweden:

> Previously, most of Sweden's iron had been exported, but during the last decades of the nineteenth century, a rising proportion of it was used to feed her own industries. . . . While factories and work shops were widely scattered, the town of Eskilstuna became the "Sheffield" of Sweden. And Norrköping became her Manchester for this and Boras . . . were the leading textile centres of the country. Expansion here was not so dramatic, but twice as much cotton was spun in 1900 as in 1870. In addition to these key enterprises, a host of other forms of manufacture either, like the chemical, electrical and cement industries, appeared for the first time, or were greatly expanded during the period.
>
> . . . In 1860 farming methods were fundamentally little different from what they had been in the seventeenth century. The following decades, however, brought a great transformation. Iron ploughs and harrows began to be widely used, and harvesters and other mechanical devices were rapidly adopted. The use of chemical fertilizers and the improvement of seed by selection raised the productivity of land already under cultivation, while many marshes were drained and wasteland made fertile. . . . In dairying, the use of the mechanical cream separator, invented by the Swede Gustaf de Laval in 1878, greatly increased the output of butter, which again became one of Sweden's major exports. . . .[3]

These were the conditions within which the Swedes became much more productive and relatively prosperous. No sooner, however, did they substantially increase their productivity than did the gleam of redistribution appear in the eyes of

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their politicians. The justification of both redistribution and control over production was found in socialist ideology. The Social Democrats, carriers of revisionist Marxism, have been the main proponents of this ideology in twentieth century Sweden, but they have been aided and abetted in their endeavors quite often by the members of other political parties. They have made great headway in putting many of these ideas into practice.

Welfare State Capitalism

Before getting into that, however, one point needs to be re-emphasized and a new one made. The point that needs to be re-emphasized is that most industry in Sweden has remained in private hands. Thus, private enterprise (not to be confused here with free enterprise) is the basic source of such prosperity as the Swedes enjoy. The new point is that the economic system which prevails in Sweden might best be described as Welfare State Capitalism.

Some little explanation of the phrase—Welfare State Capitalism—may be helpful. There are those who use the word "capitalism" in a laudatory sense, and they are apt to equate it with the free market and free enterprise. Socialists usually use the term invidiously. Even so, capitalism is a socialist concept; Karl Marx popularized it. Those who think to pre-empt the term and give it a favorable connotation might do well to reconsider.

"Ism" smacks of ideology; and ideology smacks of some scheme to use the power of government. However that may be, capital*ism* denotes a preference for or bias in favor of capital expenditure or investment. Socialists use the term to connote a system in which private capital and capitalists are accorded special privileges. The connotative uses of capitalism have entered into the rhetoric which those of all persuasions employ, and there is little likelihood that will change in the foreseeable future; but it is important here that the word be used with as much analytical precision as can be attained.

How Capital Originates

All peoples use capital, i.e., make capital investments. The savage who has an instrument to remove the husk of a coconut is a user of capital. The primitive who saved seed and used an implement to furrow the soil was a capitalist. Every economic system is, in this sense, capitalistic in that capital is employed to increase production. The only possible difference is in how the capital is provided. There are two basic ways of doing this. One is for individuals to save and invest voluntarily. The other is for the gov-

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ernment to take the money from individuals—to confiscate it, that is—and for the investment decisions to be made by those who rule. When the first system prevails it is sometimes called private capitalism. When the second prevails it can be called state capitalism. Such a system is generally employed in the Soviet Union, for example.

Variations and combinations of these two basic systems are possible. The most common combination has been joint financing of projects by private investors and money raised in some fashion by government. Another variation is for government to promote saving and capital investment by tax policies. Sweden has used both these methods, but predominately it has provided tax advantages in order to foster capital formation and investment.

One way this is done is by the Investment Funds. These were first authorized by law in 1938, and the enactment has since been amended several times. "The current position is that by law, every company is permitted to set aside 40 per cent of its profits before tax in any year to an investment fund. There are, however, restrictions attached to this concession. Forty-six per cent of this money must be deposited interest free in a blocked account in the Central Bank of Sweden and can only be spent on authorisation either by the Crown or by the Labour Market Board for specific projects concerned with investment—the only exception is that after five years a company can spend up to 30 per cent of the money set aside without authority from the Board provided this is on a capital project."[4] Since taxes on profits of corporations are high, on the average about 54 per cent when those of the central and regional governments are combined, there is considerable incentive to place money in the Investment Funds.

Investment Funds

The other major device for promoting investment is the depreciation policy of the government. All capital expenditure from the Investment Funds must be fully depreciated within twelve months of the outlay. All other capital expenditures must be depreciated fully within five years, either in equal installments or on a pre-arranged scale. The result: "There is pressure on the companies to maintain a steady stream of investment with a major installation at least every five years, both to obtain the depreciation tax allowance and to even after-tax profits."[5]

It would help in clarifying our thinking if the word capital*ism* were reserved for use to refer to those systems in which the compulsive power of the state is used to form capital and direct its investment or to instances of it. Why?

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Because in a free economy there is no preference for or bias in favor of capital expenditure. Nor is it at all clear why there should be preference for capital expenditure over any other in public policy. It may appear that in view of all the benefits that accrue from capital a bias in favor of it might be in order. But appearances can be deceiving, and they are in this case. It happens that capital expenditure can be wasteful and counterproductive. No benefit would presumably result from expenditure to produce a product which no one wanted. Such expense would be a waste of scarce resources.

There will undoubtedly be instances of malinvestment in a free economy, for there is no certainty that any investment will pay off. But there is a sure way to achieve wasteful and counterproductive capital expenditure. It is to separate the ultimate investor from the responsibility and benefits of careful management as occurs in state capitalism, or to make capital expenditures profitable by tax breaks and depreciation allowances. (In a free economy, taxes would fall only on individuals, not on fictitious entities such as corporations and companies. Hence, there would be no occasion for depreciation allowances and some portion of the present crop of Certified Public Accountants.) It would be descriptive to refer to such systems as capital*ism* and capital*istic,* and they could have whatever onus anyone wished to attach to them. They would describe a preference for or bias in favor of capital expenditure.

Identifying the Ideas

Since current usage is generally either rhetorical or propagandic, it is necessary to add qualifiers in order to make them as nearly as may be descriptive. The terms private capitalism and state capitalism may be reasonably precise. I here add the phrase, Welfare State Capitalism, by which I understand government policies, such as those in Sweden, aimed at promoting capital expenditure in support of the welfare state. A Swede put it this way, "The state keeps the cow fat in order to increase the amount of milk it can get from it." That is, of course, only a felicitously phrased half-truth. There is evidence that the "cow" is bloated rather than healthily fat in some industries, such as shipbuilding, for instance; and there are critical shortages, such as in housing, due to misallocation of funds. It is well to keep in mind, too, that Sweden's tax policies are aimed not only at fueling the welfare state but also at bringing industry under centralized planning.

Even so, the main point here is that Sweden does not have socialism as that word is understood. The government may be gradually killing

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the goose that lays the golden eggs, but to date it has put maximum pressure on the goose to lay more eggs. So much has been told to make it clear that the sources of such prosperity as Sweden enjoys are in private industry.

Yet Sweden is deeply under the sway of the idea that has the world in its grip. And that idea can be identified with socialism usually. To understand how this can be, it is necessary to expand our understanding of socialism. The heart of socialist doctrine is the idea of purging the individual of his pursuit of self-interest. The main line of attack is on the inherited culture and tradition—on the family, the church, education, morality, and society itself. In place of these will come government power. That is what has been happening in Sweden.

On the face of it, tradition is honored and preserved in Sweden. This is largely an illusion. Sweden has a monarch, but he does not rule. He sits in at the formal cabinet meetings for the perfunctory presentation of matters that have already been decided, but he may only enliven proceedings by remarks, not by participating in the decisions. Sweden has an established church with beautiful buildings lavishly furnished, but few people attend except at Christmas and Easter. Sweden's industry is largely privately owned, but the independence of investors has been eroded away. Sweden has an elected legislature, but the fount of decisions is usually the advice of experts. What remains of tradition has perhaps more importance than the restored hull of a medieval Viking ship which has been raised from the bottom of the sea to be put on display in one of the cities, but not much more. Tradition has been eviscerated in favor of gradualism.

The story of how this has taken place needs now to be told. ⊕

Next: *16. Sweden: The Paternal State.*

—FOOTNOTES—

[1]Quoted in Donald S. Connery, *The Scandinavians* (New York: Simon and Schuster, 1966), p. 66.

[2]Paul B. Austin, *The Swedes: How They Live and Work* (New York: Praeger, 1970), pp. 89-90.

[3]Stewart Oakley, *A Short History of Sweden* (New York: Praeger, 1966), pp. 208-09.

[4]H. G. Jones, *Planning and Productivity in Sweden* (Totowa, N.J.: Rowman and Littlefield, 1976), pp. 22-23.

[5]*Ibid.*, p. 31.

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Robert Higgs

10 Rules for Understanding Economic Development

DURING the past thirty years, concern about economic development has reached unprecedented heights. Academic writers, periodical editors, foundation directors, and governmental officials have expended much time and effort in attempting to understand why economic development occurs, why it proceeds more or less rapidly, and how to hasten it where it appears too slow. Unfortunately, as a distinctive field of economic development studies has emerged, complete with textbooks and scholarly journals, a body of misconceptions and myths also has emerged to diminish the potential fruitfulness of these efforts to understand the process of economic change.

Significant progress would result from following ten simple rules of inquiry. Their value is, for the most part, self-evident; but readers familiar with the literature of economic development will recognize that they are more often ignored than obeyed.

1. DO NOT DICHOTOMIZE THE NATIONS OF THE WORLD. Almost all writers have classified the nations of the world (sometimes only the noncommunist world) as either rich or poor, developed or developing, more developed or less developed. This dichotomization is both false and misleading: false because the nations do not fall into two neat camps; misleading because such a division encourages the

Robert Higgs is Associate Professor at the University of Washington and Associate Director of the Center for Studies in Demography and Ecology. His writings include numerous articles as well as books on *The Transformation of the American Economy, 1865-1914* and *Competition and Coercion*.

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search for explanations of poverty that, with more or less sophistication, blame it on the rich. In fact, by any measure one cares to use (e.g., income per capita, literacy rate, expectation of life), the nations of the world occupy a continuum, not a dichotomy. The richest and the poorest countries differ starkly, to be sure, but between them lies an enormous variety of intermediate conditions. As one descends from the United States and Sweden through Greece, Mexico, and Turkey, to reach India and Ethiopia, where can a line be drawn to separate rich from poor?

2. DO NOT PERSONIFY THE NATIONS OF THE WORLD. How often does one read that "Brazil has done this, India has done that." Usually, what is meant is that a certain Brazilian or group of Brazilians has done this, a certain Indian or group of Indians has done that. Nations are abstractions; they do not act. Of course, no one openly disputes this obvious fact; and everyone knows that economy of expression sometimes warrants the personification of a national society. Yet such usage subtly supports the implicit and mistaken notion that all members of a nation are alike in essential respects, that all share the same conditions, attitudes, and objectives. Nothing could be farther from the truth. Brazilians, like Indians, Thais, or any other people, are diverse in the extreme. They differ greatly in their conditions, attitudes, and objectives. To suppose that "Brazil does such and such" is to overlook the rich diversity of the individuals who, in the aggregate, constitute the Brazilian nation. It is especially important to notice that many individuals and groups in the poorer countries are rich, and many individuals and groups in the richer countries are poor.

3. DO NOT ASSUME THAT THE POORER NATIONS ARE NOT DEVELOPING. Writers who set out to explain "economic stagnation" or "low level equilibrium traps" are addressing themselves to rare circumstances. By any accepted measure (e.g., income per capita, literacy rate, expectation of life), most of the poorer nations are currently de-

> "Underdeveloped countries may be poorer and weaker from an economic point of view than the developing ones, but the painful symptoms from which they suffer are the same and the disease is the same, no matter whether it is called 'interventionism,' 'statism,' or 'collectivism.'"
>
> *Gustavo R. Velasco*

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veloping. Moreover, their rates of development compare favorably with those experienced either historically or currently by the richer countries. This rapid change is not an artifact of social accounting. Close observers of such countries as India, Egypt, and Peru (supposedly slowly developing countries) report sweeping changes in the mode of economic life. In such places as Thailand, Greece, and Mexico the rapid pace of change is even more obvious. To picture the poorer economies as tradition-bound, stagnant, and resistant to change is to accept a false description of current reality. Only a few backwaters remain to fit this long-accepted characterization.

4. DO NOT CONCEIVE OF DEVELOPMENT AS SOLELY ECONOMIC. Economic development revolves around the growth of economic productivity, but such growth takes place as a result of changing human actions. Changes in economic behavior cannot be viewed in isolation from other dimensions of human action. People raise their productivity in order to gain comfort, wealth, status, power, or security, the principal impetus varying from one individual to another. The incentives that encourage or discourage productivity-raising behavior emerge from the institutional, cultural, and historical environment within which the individuals act. Changes in this environment must precede wide involvement in the search for higher productivity. Perhaps the impetus comes from contact with another culture or from foreign technical knowledge, from new religions or novel organizational schemes. In any event, economic changes grow out of changes in the noneconomic environment. Human behavior forms a whole. To imagine economic development occurring without corresponding developments in the rest of society is grotesque.

> "The value of American aid to underdeveloped countries, while scarcely negligible, is basically limited, because (a) growth requires more than capital, and (b) 'saving' must be done by the growing country itself."
>
> *William R. Allen*

5. REMEMBER THAT ECONOMIC DEVELOPMENT IS INHERENTLY DISRUPTIVE AND COSTLY. While economic development augments the comfort, wealth, status, power, and security of some people, it concomitantly diminishes these desirable things for other people. One man's innovation often implies another man's obsolescence. And as

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individuals, few can escape the varied, undesirable side-effects of the development process. Friedrich Hayek expressed this problem eloquently:

. . . it is not certain whether most people want all or even most of the results of progress. For most of them it is an involuntary affair which, while bringing them much they strive for, also forces on them many changes they do not want at all. The individual does not have it in his power to choose to take part in progress or not; and always it not only brings new opportunities but deprives many of much they want, much that is dear and important to them. To some it may be sheer tragedy, and to all those who would prefer to live on the fruits of past progress and not take part in its future course, it may seem a curse rather than a blessing.[1]

6. DO NOT POSTULATE THAT ECONOMIC DEVELOPMENT IS THE SOLE OBJECTIVE OF SOME (ANY) RELEVANT DECISION MAKER. Simply put, people value many things, and economic development is only one of them. As Peter Bauer has insightfully observed:

. . . conventional incomes could be increased by forcing people to work longer hours or to transfer to more lucrative but also more arduous or for some other reason less-preferred occupations. Housewives could be forced to go into paid employment. In fact countless people in rich and poor countries could be compelled to increase their conventional incomes by forcing them to give up working habits, attitudes and beliefs which they cherish. It is bizarre to say the least to describe people as irrational for not trying to maximize conventionally measured incomes. It is an approach which disregards people's own preferences in such matters as life expectation, possession of children, working habits, personal values and social mores, including personal preferences for leisure and contemplation against higher conventional incomes; it also disregards considerations of national security.[2]

7. DO NOT PROJECT YOUR OWN TASTES AND VALUES ONTO OTHERS. To assume that everyone wants what I want, and will bear the same cost to get it, is certain to mislead. Tastes and values differ enormously among the people of the world. If the poor Indians would only eat their sacred cows, they could avert the threat of starvation—advice that is easy for me to give, but rather difficult to take for people deeply committed to the inviolability of all animal life. A long and laudable list of human values (e.g., loyalty to family members in Latin America, devotion to a contemplative style of life in Asia, adherence

[1]Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960), p. 50.

[2]P. T. Bauer, *Dissent on Development* (Cambridge, Mass.: Harvard University Press, 1976, rev. ed.), p. 200.

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to tribal customs and traditions in Africa) has been held up by development enthusiasts as "barriers to progress." How narrow our vision; how insensitive our appreciation of the values of others.

8. DO NOT ASSUME THAT COMPREHENSIVE GOVERNMENTAL PROGRAMS ARE NECESSARY TO CREATE OR ACCELERATE DEVELOPMENT. All the countries of Western Europe and their offshoots in the New World, as well as Japan, managed to develop without comprehensive governmental planning. Many poorer countries (e.g., Greece, Spain, Mexico, Taiwan, South Korea, Thailand) also are doing so. Yet the notion is widely accepted that development requires comprehensive governmental planning. Ultimately, the case for comprehensive planning reduces to the simple fact that some (including the planners) wish to coerce others to do what will not be done voluntarily.

If people want economic development enough to bear its costs, they voluntarily take the actions that promote it. They migrate to locations of superior economic opportunity, innovate on farms and in factories, obtain better educations. If they do not consider the net gains sufficient, they will abstain from such actions. How ironic, then, that the planners should attempt to "improve the welfare of the people" by compelling them to bear costs that, in the people's own judgment, outweigh the corresponding benefits.

> "You can be sure that if each Asian worker were backed by $30,000 in capital, there would be no mass starvation and no 25-year limit on the average life span. Such is the miracle of wealth. Only a few know how to create it. And the impartial and all-wise free market will distribute it in a manner which creates harmony rather than conflict among men."
>
> *Harry Lee Smith*

9. DO NOT ASSUME THAT GOVERNMENTS ARE IMPARTIAL AND BENEVOLENT AGENCIES TO PROMOTE THE PUBLIC INTEREST. Governmental officials are not, in general, disinterested humanitarians. More commonly, they are self-interested bureaucrats, politicians, soldiers, and dictators. In any event, they are members of the society they rule, and each brings to his office the preferences and loyalties characteristic of his own class, religion, region, and ideology. Even if the rulers sincerely wished to promote the "public interest," however, they could not do so. The public has

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> "When a businessman is granted a tax concession in any country, he would be well advised to prepare himself for the confiscatory taxation or nationalization that will soon follow."
>
> *P. Dean Russell*

many interests; indeed every individual possesses a unique and multifarious set of interests.

It is sometimes said that people do not know how best to serve their own interests, and that therefore the government must act to fill this gap in knowledge. Of course, a governmental official may know something that I do not know and could benefit from knowing. But the converse is also a possibility. In particular, my precise circumstances and desires, ever changing as they are, can hardly be known to anyone but me. The same can be said, of course, for almost every individual.

Governmental officials simply cannot be relied upon to possess superior knowledge. As Hayek says, "Compared with the totality of knowledge which is continually utilized in the evolution of a dynamic civilization, the difference between the knowledge that the wisest and that which the most ignorant individual can deliberately employ is comparatively insignificant."[3] And even if governmental officials did possess superior knowledge, they could not, for obvious reasons, be relied upon to put that knowledge to good use. As Scott Gordon once put it, "How much enthusiasm for statism would evaporate if one were to assume that the government will be run by people like Haldeman and Ehrlichman?"[4]

10. DO NOT FORGET HISTORY. If this rule were strictly followed, the others would be largely superfluous. Yet development economics, a quintessentially historical subject, has been practiced mainly by researchers with neither much knowledge of nor interest in history. Economic development, however, is a historical process. To neglect history is to neglect the facts of the matter. And an empirical study that neglects the relevant facts is an absurdity. ⊕

[3]Hayek, *op. cit.*, p. 30.

[4]Scott Gordon, Review of *Business Civilization in Decline*, by Robert L. Heilbroner, in *Journal of Economic Literature* 15 (March 1977): 103.

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Ridgway K. Foley, Jr.

The Problem with Power

WHAT EFFECT does the action of one man exert on the life of another? How much control ought a single individual, or a group of individuals, impress upon the destinies of others? These inquiries represent the meat and marrow of the considerations underlying the purposive human action.

Let us state our abstract premises: no man ought to initiate force against another individual, or defraud him in any manner; each person should be free from restraints imposed by other men, singly or in the collective, and should be permitted to seek his own fortune; application of coercion gains justification only to thwart prior privately initiated force or fraud and to sanction a common and equal mode of settling disputes between inhabitants which they cannot adjust by themselves.

Against the backdrop of these principles, consider the concept of power. One may define power as a position of ascendancy over another person, object, or situation; it concerns the ability to control a situation or to coerce obedience to a command. A person manifests power when he possesses the capability of acting and of producing a given effect by his actions. Power partakes of coercion and force; it means dominion and control, in this milieu dominion and control of one or more men over the lives and destinies of other human beings.

Thus stated, power represents the antithesis of freedom. Those who love liberty should eschew power and seek self-determination and noninterference with the lives of others. Such an easy answer: easy

Mr. Foley, a partner in Souther, Spaulding, Kinsey, Williamson & Schwabe, practices law in Portland, Oregon.

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statements in the abstract often present difficult concepts in the application. The core is apparent, the penumbra indistinct. A lesson learned with difficulty involves a life lived without recourse to power over others.

Slight insight illuminates the reason why we can express a distaste for power in our philosophical guise and yet fall prey to its allure in our daily lives. Man, by nature, exudes sympathy; he seeks to do well, for himself and for his fellow man. Each man, convinced of his own infallibility, sincerely believes that he can better the lot of mankind if only his way represents the chosen path.

"There Ought to Be a Law"

How often have you heard one say "there ought to be a law"? Even the most dedicated libertarian sometimes slips into this easy way of thinking: if only we could compel people to be free, or to accept the free market philosophy, or to treat their neighbors with kindness and love, the world would become such a better place. The ordinary method which comes to mind when one aims to secure laudable goals involves the use of power—but for a "good" purpose. Frustration takes control when the stubborn wills of others impede the attainment of ends which the actor believes desirable, right, or necessary.

Consider the individual who holds views similar to those expressed here. All about him the world crumbles by reason of adherence to the socialist tenets concerning the production of abundance by means of people control. Man appears chained to useless laws and insipid politicians. "If only we could elect a libertarian president and propose laws compelling citizens to accept gold coins or bullion as legal tender," runs a common lament. Yet such political moves, based on power, would not solve our problems. One should not decree that any material be legal tender; men, trading freely, ought to determine by their market choices that which will be acceptable: gold, butter, or aardvarks. Election of a libertarian president encompasses a solution only if such a man would act solely on the principles of liberty and carefully avoid any trespass upon the rights of free men to act freely in all endeavors beyond the proper jurisdiction of the state.

On a purely personal scale, one recognizes intrusions of power into almost every facet of life. How often have we discerned an apparent devotee of the freedom philosophy serving on some board or commission in a governmental capacity, wholly unaware of his inconsistency and infidelity to the faith? The rule should hold true, whether the participant is a free market economist

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asked to serve on the Federal Reserve Board, or a local businessman appointed to a state park commission: unless the activity promotes the administration of justice or thwarts the initiation of force or fraud, the committed free man ought to decline the position, with explanation, so that his actions resound in the community.

The Tendency to Trample Rights

Even the committed freedom philosopher exhibits a predilection to ignore the choice-making rights of his fellow and to impose his will upon his neighbors. The ordinary citizen, unhampered by a devotion to personal freedom and individual responsibility, offers a much more likely source of abuse of power. In addition to the natural attributes of sympathy, empathy, and a desire to do good, the human condition displays a perverse tendency to exploit his coinhabitants once a person gains ascendancy. It is this bifurcated character which distinguishes man from the angels and from the beasts: man, finite and fallible, can soar to great heights but he can never quite abandon his lower nature, that shadowy side predestined to coercion and violence.

Power represents the dark side of man's nature, a proclivity which demands ever vigilant attempts to conquer. Persons ascendant over others seldom employ that power in harmony with the desires of the subjugated. Reason tells us why: no man possesses the talent and insight to determine the best course of action for another man. *And,* most men in dominant positions don't even evince the impulse to discern and secure those goals.

Given this ugly part of man's nature, and his inclination to subdue and direct those under his sway, one can readily see that rights become trampled in the process. The individual's right (and obligation) to make his own decisions and to choose between alternatives comprise these rights destroyed. And, a right once lost cannot be reclaimed; it is gone forever, and with it a veritable part of the humanity of the possessor.

Suppose you desire to purchase furniture for your home. I, as lawmaker, impose price controls and a minimum wage law upon all furniture manufacturers. As a result, one-half of the furniture producers who would have occupied a free market are driven from business by their inability to achieve a profit under such circumstances. By my exercise of power, I have limited your choice and deprived you of meaningful alternatives. Once I have impeded your action, you will choose furniture from the stores remaining. You can never reclaim your widest range of choice because other real or potential producers

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have been excluded from the market by my action.

Again, you create value by producing and selling the service of delivering household goods to customers. You convert this created value into a medium of exchange and use the latter to trade for other goods which renders your life more enjoyable and worthwhile. I, possessing power as taxing agent, or as commissioner of a public dock, or as a member of the welfare bureau, or in any of a thousand other capacities, deprive you of some of your created or converted value, in the form of taxes. I use these tax funds to audit returns, or to pay for improvements to a dock which benefits a few persons, or to buy socks or soup for welfare recipients, or for myriad other public deeds.

Once I exert my power and reduce your store of value, by whatever means or name, I have deprived you forever of a choice. Unhindered you might have spent those tax funds for food, clothing or shelter, or for time-pieces, amusements, or pencils. Now, possessing less value, you will purchase either less of the commodities desired or some items to the exclusion of others. Once again, my exercise of power has ultimately narrowed your range of choice beyond regeneration.

Power, by its very essence, involves obliteration of the rights of some person. To command or to exercise authority over a person or an event conjures up only situations where the one in power makes decisions affecting the rights and liberties of other individuals. One may cede power to another voluntarily, or one may usurp power coercively. Condemnation attends coercive action only, not voluntary choice. When a party establishes a trust, a guardianship, or a conservatorship, when he employs a financial adviser, investment counselor, or a lawyer, he in effect surrenders power over a part of his life, value, and affairs to another individual or entity. He may make an improvident choice, but freedom utters no promise of success. The distinction drawn between a voluntary and a coerced choice is simply that in the former case, the purposive actor makes his own decision, while in the latter case someone else makes his decision for him.

Robbed of Choice

Power represents freedom's antithesis whether one voluntarily relinquishes his choice or the state coercively deprives one of his choice. Voluntary forsaking of choice harmonizes with liberty, however, in the sense that man can choose not to choose. Compulsive divestiture of choice represents quite another matter, for here the individual loses all chance to choose.

Finally, power feeds on itself.

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That murky side of human nature contains the predisposition to apply power; it likewise encompasses a drive to enjoy the assertion of power over another. It is this impulse above all others against which one must guard in his daily endeavors, so subtle is its blandishment. Related to, but wholly distinct from, the disposition to believe that only the actor knows and can achieve the proper result, the lust for power for power's sake permeates each being.

A crafty, almost imperceptible, desire to employ dominion over others pervades our lives. In part, this trait relates to self-interests: each person desires to get his own way in almost all matters. But more than that, man generally enjoys the feeling of exultation collateral to command. Each of us must labor exceedingly hard to bridle this drift in all of our actions, a tendency commonly apparent in the drive of political, business and labor leaders who have outlived their usefulness to strive to retain their seats of jurisdiction.

Liberty Surpasses Power

Recur to the earlier suggestion that man displays the decided tendency to seek noble goals by the exercise of power with its concomitant deprivation of choice. Despite the near-universality of this ingrained instinct, the opposite is true: praiseworthy ends gain attainment through voluntary action rather than coercive application of force.

Most phenomena require acceptance by faith; seldom does nature afford us absolute, logically positive, proof. Instead, we gather sufficient evidence to induce conviction, and pronounce a value judgment by way of conclusion. I desire to cross a street; I look both directions and listen attentively before I embark upon my way; I cannot say with absolute certainty that no vehicle will jar my journey for one might silently glide around the corner, but I have gathered sufficient evidence to cross the street in a sense of safety. Or, one person may express devotion to another in myriad ways; the recipient of the affection can never be positive about the actor's commitment, but after the passage of time and the accumulation of evidence, he or she can reach a reasoned decision concerning the relationship.

The truth discussed in this section thus rests on faith. One cannot *prove* to an absolute certainty that freedom works better than slavery, although rational and empirical evidence preponderate in that regard. One can never unequivocally demonstrate that, in a given situation, liberty would produce a better material and spiritual result than coercion. For one thing, spiritual benefits are not subject to proof. For another, mankind does not exist in a

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controlled situation where human experiments can be conducted. No one can measure the damage to the person of one deprived of his choice-making abilities, nor can we repeat exact situations in a controlled and a free state.

Nevertheless, those of the libertarian persuasion steadfastly maintain, on faith and upon sufficient available evidence, that avoidance of power will permit a more desirable outcome than will the use of coercion. One cannot adequately explain why a concatenation of human lives takes place, but by and large, such a meshing does occur naturally and regularly. Power corrupts the natural process and thwarts the attainment of important goals; freedom lights the way to achievement.

Declining the Office

Suppose the effect upon the state, the nation, and the world if each potential appointee to a seat of coercive power reacted to the appointing agency, quietly, thoughtfully and in good taste, without rancor or snobbery, expressing his disinclination to serve in any predatory capacity.

Obviously, one cannot reasonably anticipate such universal action. However, the act of one man, or a few persons, rejecting impropriety and spurning power, can serve a dual purpose: first, these actions shine as a beacon for others to observe, consider and emulate; second, these actions give heart to the weary and frustrated who may rest on the verge of relinquishing all hope for freedom. Surely such an act of rejection will be understood and applauded by a few, viewed darkly by some others, laughed at and reviled by many, and ignored by most. Yet, just such a stand as this gains justification because it reflects adherence to the sound principles of liberty and justice. Right actions may not bring material rewards, but spiritual compensation abounds.

What kind of response should appointment or proposal for appointment or election generate? The riposte must fit the offer, the mood, the community, and the times. No one answer covers every situation. Letters, press conferences, interviews, prepared statements, all suggest possibilities. Likewise, the content of the response demands conformity to the requirements of the event. One can only offer suggestions, not commands. Two justifications light the response: *explanation* of the action in fundamental terms not scourged by rhetoric or shibboleth, so that some may comprehend and heed the deed, and *action* consistent with a faith in freedom. Individual application of these principles to the appropriate opportunity will swell the tide of principled liberty and diminish the unbridled application of power. ⊕

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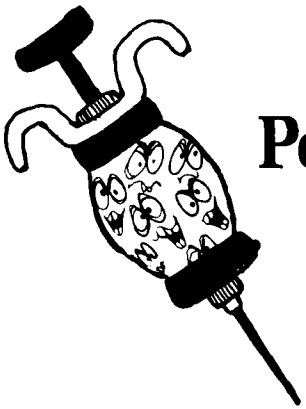
Hans F. Sennholz



Political Medicine Breeds Social Conflict

THE advocates of socialized medicine are mostly daydreamers who neither understand the intricacies of medicine nor the economic facts of life. Their words may sound compassionate and noble when they expound the virtues of a national health service that is "to secure that everybody in the country, irrespective of means, age, sex, or occupation, shall have equal opportunities to benefit from the best and most up-to-date medical services available." But in reality, the medical system they can deliver, even when the considerable resources of the Federal government are put at its disposal, is inhuman and highly discriminatory. It puts politicians and their appointees in charge of an extremely important service. It is wasteful of human labor and economic resources, and above all, it generates bitter political conflict harmful to social peace and cooperation.

Medical services, like other services, are subject to a basic economic principle: the demand for any "free" service outruns any possible supply. After all, it is basic to human nature and action that the demand for any economic good or service is unlimited as long as it is "free" and obtainable merely by asking.

When the demand greatly outstrips the supply, the political authorities offering the free services and thereby creating the imbalance

Dr. Sennholz heads the Department of Economics at Grove City College and is a noted writer and lecturer on monetary and economic affairs. This article is reprinted by permission from the December 1977 issue of *Private Practice*.

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then face agonizing decisions. They may choose to suppress the unlimited demand by rationing and regulation, and simultaneously expand the supply through ever larger outlays of public funds. Nevertheless, the imbalance can never be corrected as long as the services remain free and their potential demand unlimited. But it is likely to create serious political conflicts on the measures to be taken.

Limited Funds

Government resources are always limited to the income and wealth that can be taken from its people by taxation, borrowing, or inflation. When a national health service is to receive more public funds, they must be taken from the people. The victims resent and oppose the measure that reduces their income and wealth and limits their spending discretion. It provokes a serious political conflict between the advocates of national health service spending and the victims who are supposed to provide the financial means.

But, the sharpest conflict is likely to ensue between the various recipients of public funds. The growing needs of a national health service are in direct competition with the demands of social security, government spending on education, welfare, housing, and all the other demands on the limited resources of government. All will fight over the government dollar, proclaiming emergencies and clamoring for top priorities.

The fight over public funds is a political fight that is decided from year to year on the floor of the U.S. Congress. When the Congress adopts the U.S. budget, it imposes a ceiling on total government medical expenditures. The very existence of a ceiling denies and refutes the lofty pretension that a national health service will provide all the needed medical care.

The spending ceiling itself then generates an ugly conflict between the numerous branches of the health service. After all, there are 101 different aspects to medical care and 1,001 specialities that are deserving of the government dollar. And once again our politicians on the floor of the U.S. Congress, most of whom have no medical knowledge, must vote on priorities from eyeglasses to false teeth.

Politicians always follow the line of least resistance. They readily give in to medical demands that yield their results quickly and visibly and make a political splash. Inversely they discount and neglect slowly maturing results that are not quickly noticed and pay no political dividends. The pressures of immediate demand always conflict with the preparations for the remote future when the present politicians

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may no longer be in office. Therefore, politicians rarely take a longer view, which in medical matters causes them to discount the importance of preventive medicine, the construction of new hospitals and medical schools, occupational health services, and medical research. Instead, they tend to opt for a free supply of drugs, of doctors' services, and of hospital care.

Deteriorating Service

In a political medical care system, the hospitals tend to deteriorate and the number of hospital beds declines. The system suffers from the insufficient medical equipment, especially newly invented machines that revolutionize established procedures. In short, it suffers from all the rigidities and lethargies that characterize centralized political management.

But the worst consequence of such a system is the inevitable shortage of hospital beds, medical equipment, and doctors. This creates long waiting lists for medical care people want and need. In England the National Health Service has an average list of more than half a million people waiting for what NHS calls "noncritical surgery." Many people have to wait for years, or never receive medical help in time. British medical literature is full of horror stories about the consequences of such delays.

The doctors themselves are crushed by a huge burden of work. They have so many patients demanding free medical attention that there is only time and strength for minimal mechanical practice. Doctors see one hundred or more patients a day for a few minutes each, give cursory examinations, and hastily prescribe something that they hope will do no harm until the problem goes away. The patients complain about their careless treatment, and the doctors complain about the patients' attitude. The doctor is expected to be available to all, at any time and for any ailment, real or imagined.

Morale among physicians in a national health system tends to be very low. After all, no matter how they serve and labor, their remuneration is determined by budgetary considerations and political deliberations of fairness and adequacy. A given allocation of funds for remuneration must then be divided among the various groups of doctors in the national health service, the general practitioners, the specialists, the hospital staff from the senior surgeon to his junior assistants. With limited total funds, the health service administration must make most unpopular decisions of division between the various groups and its individual members.

Even if the administration does not use its remuneration power to

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divide and conquer, which it may be tempted to do, it cannot avoid creating suspicion and discontent. The physicians, on the other hand, with this great economic power of the health service administration over them, have no choice but to organize and resort to collective force. In the end, the problems of medicine become largely political, the physician a politician who is lobbying for the economic interests of his group. In Great Britain junior hospital doctors are frequently picketing their hospitals when they are not lobbying for political action.

A redistributive society that transfers income and wealth by political force is a conflict society. A national health service that allocates benefits and determines remuneration by political force not only is harmful to national health, but also breeds social conflict. ⊖

IDEAS ON LIBERTY

Government in Medicine

THE ADVOCATES of government in medicine point to our overcrowded hospitals as though they have in mind a solution for the problem. But the fact is that much overcrowding is traceable to increased voluntary insurance benefits, a situation that would only be aggravated if all beds were "free." The waiting lists for the hospitals of England and Germany are so long that many patients finally gain admittance only to have forgotten why they applied.

The hue and cry of overcrowded hospitals is a twisted statistic, for the beds are overburdened with people who are not really sick. The third party in the form of health insurance has entered the picture. But the present sad picture, with only part of our population voluntarily insured, would surely be magnified if health insurance coverage were made universal and compulsory.

Experience with socialized medicine shows hospitals so overcrowded that the situation becomes near impossible, doctors so overworked that their patients get less and less real treatment, the cost of drugs reaching astronomical figures, the total cost of the social system soaring, and the government calling for investigations.

CHARLES G. JONES, M.D., *Free Medicine Can Make You Sick*

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Ralph Bradford

Making Sense Out of the World

Our house guest was a handsome bachelor of around forty whom we had not seen since he was a teenage boy. As a very young man he had left high school and joined the army, where he served out an enlistment of several years. Returned to civilian life, he finished high school and went through college by means of the G. I. Bill's provisions. After that he got a good job with one of the government departments in a western state.

At the time he "dropped in" at our house he had been on that job perhaps fifteen years. He had never married, lived frugally, and saved up some money. Also, when his father died he found himself heir to a substantial legacy. This, plus his savings, he had prudently put at interest. With no family obligations, he figured he could live on the income thus generated. So he had quit his job and come to Florida to "look around." And he had got in touch with us for what pointers we might give him about desirable places to live in our adopted state.

We soon discovered, however, that the phrase "looking around" meant much more to him than seeking a new location. He also wanted, as he expressed it, to "find himself." But that, likewise, was not all. He had set himself, we found, a still bigger task—namely, to "make sense out of the world." So he was not seeking a new job but expected, as nearly as I could make out, to settle into a career of philosophical speculation.

Mr. Bradford is well-known as a writer, speaker, and business organization consultant. He now lives in Ocala, Florida.

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What it all came down to, finally, was that this high school and university graduate, who was already at the threshold of middle age, looked upon himself as a kind of sociological lost sheep—a poor little lamb that had lost its way in a rather wicked world. Hence his desire to "find himself."

A Conflict of Interests

He seemed to feel, also, that there was some kind of conflict between having a job of any sort and also displaying a concerned interest in the political and economic fortunes of the human creature. But that, too, was not all. As I listened to what rapidly became a monologue he gradually let himself go, and I discerned that he seemed really unable to think beyond the familiar and time-worn cliches of the extreme and radical Left.

He thought just about everything in the United States was wrong and rotten. In stereotype terms he harped on the evils of poverty, the wickedness of Wall Street, the sins of Capitalism, the tragedy of slums, the barbarities of war—and so on . . . and on. During all this protracted denunciation of his own country, he revealed that he was an uncritical admirer of Lenin, Ho Chi Minh, Mao Tse-tung, and especially of Fidel Castro. His admiration of those characters was equalled only by the fervor of his detestation of the American political and economic system.

"When a society like ours," he pontificated, "gets too rich, then the people at the bottom of the economic caste system suffer because their jobs are so poorly paid they have less respect for themselves and their position in society. This doesn't happen in countries where most of the people are all poor together. It happens in industrial countries where wealth and affluence are flaunted continuously in front of the less fortunate people."

Later, with evident approval, he added: "Some people have claimed that if we got rid of competition, crime, and many jobs that wouldn't be needed in a socialist economy, then every American could have the equivalent of a $20,000 income. . . . If people couldn't gain status by competing economically then everyone would be more free to compete with themselves, that is, by realizing more of their own potential as a person. I don't think there would be much crime, mental illness, discontent, or tension in such a world. We have never really had freedom, because what people mean by this is to get away from being oppressed by others so that in their turn they can turn on some one else and live well by the sweat of his work. No one has ever really wanted to eliminate the economic caste system. They merely wanted to get off

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the lower levels and then live better at the expense of those on the bottom."

(Lest you think I may have invented the rather turgid prose just quoted, I will explain here that it is taken from a letter he wrote a week or so after his visit in our home.)

On and on he went, in an endless and tiresome repetition of socialistic cliches and communist phrases. I put up with it for a whole day because he was our guest. But finally I had had enough, and told him bluntly that his sophomoric posturing was neither new nor original—that he was only repeating worn-out leftist cliches that I had read many years before, as a very young man, in various socialist journals that I perused avidly in those early days. He was merely echoing, I said, the tired old communistic jargon of the soap box agitator. At that he protested that he was not a communist, whereat I admonished him to stop talking like one, and advised him to season his politico-economic goulash with a dash of Adam Smith and a touch of Milton Friedman.

None Is Perfect

In doing this I was careful to explain that I was not an uncritical apologist for an economic system that sometimes suffered abuses. To defend capitalism, I said, was not to condone the misconduct of some capitalists. American capitalism, I admitted, has its crooks and thieves and petty tyrants and insensitive gougers, the same as socialism in England and Sweden or communism in Russia and Yugoslavia. But we have abundant statutes and legal processes to guard society against crooks, whether of the Right or Left; and especially we ought not to make the mistake of judging an economic mechanism by the deportment of the relatively few who use it improperly or criminally.

So what? Why bother with all this? Did it have any importance? Should I be concerned because one person chose to denigrate his own country and glorify its enemies?

Yes, I think I should, because that man was not alone. I have no way of knowing what percentage of his generation think and talk as he did, but it is probably considerable, because many of his age group were exposed to the same sort of leftist collegiate influence; and there are indications that present academic attitudes are doing little to bolster the faith of American students in their country and its institutions.

Several years ago I participated in a program that booked me as a "college visitor." Under its arrangement I would spend two and sometimes three days on a campus, usually with a formal lecture before the student assembly, and with visits to various classes, and one or more question and answer sessions. In

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those engagements I was amazed to discover the extent to which the same anti-business, pro-socialistic line was being followed, not by students alone, but by faculty members. I was not making pro-business talks. In my book, being a businessman does not confer any special degree of sanctity. My concern was with the principles of freedom; and I spoke for the freedom-from-too-much-government philosophy that is well-known to *Freeman* readers. Yet more than once I was accused, not only by radical students but by left-leaning faculty members as well, of being an apologist for "big business." Would I fare any better today? I doubt it.

The casual visitor whose sophomoric diatribes inspired the writing of these paragraphs has long since vanished from my life. He was a rather pleasant chap, decent in his personal life, charitable in his instincts and impulses. Some traumatic experience of his youth may have warped his judgment about economic and political reality. Certainly he was quite practical about conserving his own cash—and blissfully unaware, the while, that he himself was a capitalist! I suppose he was really just a casualty of his cliche-ridden generation—a victim of the unbalanced exposure to radical propaganda that was experienced by the average college student of the forties and fifties—a barrage that was still in full thunder, as I have indicated, when I was a college visitor in the mid-sixties.

I note that a discouraging number of young people are still trying to "find themselves." Over and over again I am informed via television interviews and talk-show appearances that students are still working on the task of "putting it all together"—whatever that may mean. And as for "making sense out of the world," this appears to be a devout preoccupation of everybody under thirty!

Thinking vs. Working

Some of these Seekers after Truth, like our visitor, seem to feel that there is a disharmony or antagonism between laudably enlarging their view of life and the ordinary business of holding down a job and making a living. But the two things are not necessarily at odds, or in any way mutually exclusive.

To be sure, there are people who spend their energies in amassing money to the exclusion of other values, but that is because they are simply that kind of people. At the opposite extreme, they would spend Saturday evening at the neighborhood saloon instead of attending a free concert in the park. Poverty can indeed place severe restrictions upon intellectual development, and the possession of money does confer decided advantages; but these

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things are not conclusively determinant.

Of course when you attempt to "make sense out of the world" you set yourself a rather large task. The world has always been full of cruelty and selfishness and senselessness. It also exhibits amazing reservoirs of decency, devotion, dedication and human kindliness. In larger view, its peoples have always swung from extreme to extreme in their efforts to devise governmental mechanisms under which to regulate their relations with one another.

Alternately this has led to such triumphs as the Athens of Pericles, and to such chaos as was to be found in central Europe prior to Charlemagne. It has contrasted the intellectual achievements of the so-called Saracenic culture with the backward state of Christendom during the same period. And today it presents the conflicting ideologies found in the representative democracies, the dictatorships of the right, those of the left, and the hodge-podge of petty tyrannies that exist in some of the "emergent" states.

In all this welter of ideological conflict and experimentation, it has seemed to me that the best course for the individual is to make sense, so far as he can, out of his own life, rather than out of the billions of lives that make up "the world."

In this effort he will be wise to place major emphasis on his own mental and spiritual development. Since he can not live very richly in self-contemplation alone, he will relate himself to what goes on about him. But above all he will see independence and self-improvement, not just as political or social ideals, but as practical aspects of the business of successful living. I can see no reason why he can not do these things while filling even a routine job. The one thing is a matter of bread and butter. The other is a thing of the spirit. But there is no necessary conflict between them.

The main thing, I suppose, is to travel hopefully, as enjoined by Robert Louis Stevenson; to follow Thomas Carlyle in the realization that we move through mystery to mystery—but never to yield to his pessimistic conclusion that we proceed "from darkness and into darkness."

IDEAS ON LIBERTY

Ralph Waldo Emerson

EVERY great and commanding movement in the annals of the world is the triumph of enthusiasm. Nothing great was ever achieved without it.

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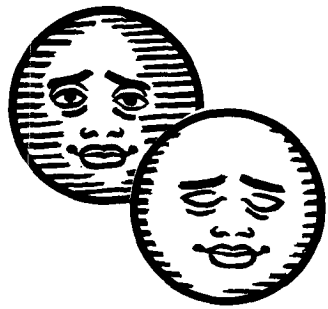
Earl W. McMunn

AWAKE or ASLEEP?



OVER-REGULATION by government is crippling our agricultural system. But is doesn't stop there. Government meddling is a major threat to our entire productive economy. And a lot of people who should know better are asleep to the danger.

Land use, pesticides, air and water quality, energy, taxation and destruction of profit incentives: these are issues which will determine the destiny of agriculture and living standards for more than 200 million Americans.

The question is whether government promotes progress by robbing individuals of their right to choose. This right of free choice is being taken away by those who believe in an all-powerful government. They do this in the name of "promoting the public welfare." And yet, history shows that individuals have always done best at solving social and economic problems when they have been free of government tyranny.

Think what has been accomplished to improve the lot of mankind just since the turn of this century! Our average life span has been increased more than 30 years. Sound of the human voice can be flashed to any point on earth in a fraction of a second. A person can cross our continent in less than four hours. Almost everyone can own a "horseless carriage." Many dread diseases have been conquered. We produce enough food for everyone—and more.

These are only a few of the wonders of our age. They were not products of government planning or intervention. Instead, they resulted from uninhibited, creative thinking by free individuals.

Mr. McMunn was for many years editor of *The Ohio Farmer* and is now director of public relations for Robinson Hybrids, Inc., of Delaware, Ohio.

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So freedom to think, to plan, to choose, to dare, to win and to lose is the key to human progress. And this freedom to choose is the prize we are losing. It is a basic human right we may still support with lip service. But the truth is, we are letting it die of neglect. Some freedom of choice is lost every time a new item is added to the agenda of "free government service."

Wrong Signals

It isn't just what government spends for us—even though this is bad enough. The real danger is in getting signals from the wrong source. And in accepting their misleading messages as gospel truth.

Producers who get their signals from the marketplace can usually rely upon the information they receive. Strong demand is a signal to supply more of the product. Weak demand is a sign to cut back.

It is different when government meddles. Signals between producers and consumers are garbled or deliberately distorted. Political considerations interfere with economic facts of life. The concern becomes: "What will Congress or the President decide?" Not: "What do the customers want?"

Substituting misleading political signals for information from the marketplace isn't new. It has been growing during recent years. But its basic weakness has been brought into clearer focus by events of recent months.

Even liberal politicians appreciate the need for a sound private economy. Tax money is more plentiful and easier to collect when people are working at productive jobs. Politicians like to have fat chickens to pick.

But when business decisions are based upon political considerations, "confidence" becomes the watchword. "Can we believe what the President says?" Or "Can we trust lawmakers who mouth hatred for 'business ripoffs' while pushing for an ever-larger tax bite?" These are questions which influence the way the economy will perform. And they are far removed from that basic issue of what consumers want and how producers will be motivated to respond.

Our economy is performing in an erratic fashion and political meddling is a major reason. The economy grew at a rate of only 3.8 per cent during the third quarter of this year. The stock market was almost 20 per cent lower than it was the first of the year. And the dollar has been losing ground to almost every major currency in the world with the exception of the Canadian dollar.

As a candidate, President Carter said he would provide stable and predictable government policy. This is what business needs, but so far it

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has failed to materialize. In fact, business leaders everywhere point to political meddling as a major reason for the sluggish economy.

This is critical, because business decisions on investment and production will determine the level of economic activity. And the Administration counts on economic growth to balance the budget, reduce unemployment and pay for a long and costly list of social programs.

Political Overkill

The underlying fact is that politicians are trying too hard to run the economy. This applies alike to the President and to a majority of the lawmakers. Politicians who promise to cure every ill are likely to kill more patients than they cure.

And political aims are often conflicting or mutually self-defeating. One of the President's promises was a balanced budget. He also said he would reduce inflation, cut unemployment, raise the minimum wage, strengthen the power of labor unions, provide a nationwide system of public health care and expand a number of other social programs. Push one of these aims and you undermine something else.

The truth is we have cultivated unreal hopes about what government can do for us and have not taught people to count the cost. We are looking to government as the source of our prosperity when we should be understanding that wealth is created by a productive private economy.

Charles B. Shuman, former president of the American Farm Bureau Federation, sums it up as well as anyone when he says: "The greatest threat to the future of our nation—to our freedom—is not foreign military aggression or internal communistic subversion but the growing dependence of the people on a paternalistic government. A nation is no stronger than its people and the best measure of their strength is how well they accept responsibility. There will never be a great society unless the materialism of the welfare state is replaced by individual initiative and responsibility."

Yes, too much political meddling is picking our productive economy to pieces. And we of the agribusiness community can interpret some of the damage in terms of meaning to all the people. Ban pesticides—and you lower food quality. Interfere with fertilizer supplies—and production suffers. Destroy profit incentives—and our food abundance fades away. Take away individual freedom—and we lose the driving force which made us the most favored people on the face of the earth.

Bureaucrats expand their power by promising more than they can deliver. They will continue to be oppressive and heavy-handed. But their failures explain the growing

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disenchantment with government which shows up in one public opinion poll after another. Large numbers of people are already complaining about the stupidity and unfairness of government. These numbers will continue to grow. And the thirst for individual freedom is an ingrained force in human nature which cannot be permanently destroyed. This is the real hope for the future.

We have a great story to tell. Are we awake to the opportunity? This is the question. All of us have others we can influence. Decision-makers respond to aroused public opinion. And we will start to move away from the stifling hand of government intervention when enough people get fed up with the havoc it is creating. Don't lose heart. The time of that awakening may come sooner than you expect! ⊕

IDEAS ON LIBERTY

Hope versus Fear

THERE is no escaping the fact that human effort is motivated by hope of reward on the one hand, and by fear of punishment on the other. The ideal combination is rewards that are great and reasonably attainable and punishments that are not too severe.

America's economic progress is the result of conditions which have provided maximum opportunities for reward, but which have limited the penalties to personal insecurity and business bankruptcy. At the other extreme is the totalitarian state, which promises security at the expense of freedom and which attempts to "encourage" initiative by the threat of the concentration camp or firing squad.

Under free competition based on personal responsibility and voluntary co-operation, our production of useful goods and services has exceeded anything ever before acomplished. True, we are far from perfect, and in some respects we seem to have been drifting backwards.

The big point is that our progress to date is the result of an entirely new and different form of political structure which made it possible for human energy and individual initiative to work under their own natural control.

Henry Grady Weaver, *The Mainspring of Human Progress*

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Enemies of Society

THE HISTORY of the ancient world, says Paul Johnson in his masterly and provocative *Enemies of Society* (Atheneum Publishers, 122 E. 42nd St., New York, N.Y. 10017, 278 pages, $9.95) is to a large extent a history of lost opportunities. The Greek and Roman civilizations trembled on the verge of significant take-offs, but, even as every other previous civilization since the original "Neolithic breakthrough," they lost momentum and fell back. Does it have to be that way always? Mr. Johnson, a former editor of the English weekly, *The New Statesman*, thinks not. But in his opinion it will take a reaffirmation of moral absolutes, including an additional "new and secular" Ten Commandments, to rescue the modern take-off (which began in seventeenth-century Britain) from the connivings of the groups which, for shorthand purposes, he calls the Fascist Left.

Mr. Johnson begins his book by doing his own Gibbon. But his version of the famous "decline and fall" of Rome is more subtle than the earlier attempts at explanation. It was not the decline of Roman law that signaled the end of the empire, it was an over-proliferation of laws. The earlier Roman rule, he says, was not free in that it accepted the principle of "one man, one vote." It was "free in the more fundamental sense as understood by Thomas Hobbes, when he wrote: 'The freedom of the subject is the absence of laws.'" This is equivalent to saying that laws should be few, clear and simple.

When the laws are clear and the distinctions between what belongs to Caesar and what belongs to God are understood by everybody, energy is free to flow. The early Roman Republic was committed to a liberal economic process presided over by a "night-watchman state." The political power was exercised by elite minorities who saw no reason to interfere with freedom of move-

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ment and of trade or with an accompanying freedom of communication, speech, occupation and religion.

Citizen or Slave

The flaw in all this is that if you weren't a Roman citizen, you could be a slave. This was an inheritance from the Greek world. The more that territory changed hands as the legions marched and countermarched, the more people were "plunged . . . into the servile cauldron." Dynamism was lost. With plenty of muscle power provided by the slaves, no need was perceived for technological experiment. When an inventor devised a new way of dragging marble to the Capitol, the Emperor Vespasian paid the man off but refused to make use of the idea. The poor, said Vespasian, must be allowed to earn a pittance.

The Romans developed a taste for small-scale but expensive luxury goods from the East. Exports could pay for the luxuries up to a point. But once the provinces had learned to make pottery and textiles and grow their own grain and grapes, the balance of trade swung heavily in favor of the East. Gold taken by the Romans from conquered peoples flowed to India, the "sink of the metals." It did not come back—recycling had not been discovered. So inflation accompanied the rise of the Caesars. The laws proliferated in the vain attempt to contain the inflation. Taxation destroyed the middle classes. Under Diocletian there were only the upper classes, the *honestiores*, and the lower group, the *humiliores,* or "everyone else." Diocletian promulgated universal price-fixing "under penalty of death." It was unworkable. With populations falling and the cities deserted, the barbarians from outside the empire soon had an obviously superior culture.

The Dark Ages

The Dark Ages were based on feudalism, but the feudal serf was not quite a slave. He sold part of his time to his lord for protection, which implied a contract. Northern Europe climbed out of darkness by its technological inventiveness. The collar-type harness and the selective breeding of larger horses enabled it to develop long-distance land transport. The iron stirrup came under the Carolingians, enabling the armored knight to manage himself and his horse as a unit. The heavy iron plow changed the whole landscape as new fields were brought into production. The Romans had never developed the geared watermill, but mills became a commonplace for making hemp, "fulling" cloth and running iron works in the years before the thirteenth century. Populations grew, only to fall into the "Malthusian trap" with the Black Death. But the plague

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raised the price of labor, and the serfs took to the towns. A new class grew up to mediate between the *honestiores* and the *humiliores*.

The modern take-off took place in England partly because the British made the best possible use of resources in exporting surplus populations to America. The open world frontiers controverted Malthus. But it was the superior British law of property, which gave certainty to the enterpriser, that really encouraged the inventiveness that put the industrial revolution into high gear.

Mr. Johnson calls liberal capitalism the "permanent miracle." But then he hedges. To keep the "permanent miracle" going, he says, we must deal with a "syndrome of symptoms" which take the form of "ecological eschatology." Eschatology is the doctrine of "last things."

The Four Last Things, according to the ecological eschatologists, are to be the poisoning of the air, the exhaustion of the soil, the final consumption of our planet's resources, and eventual mass starvation.

A Self-Cleansing Universe

Mr. Johnson believes this is all nonsense. He can cite chapter and verse. The universe is a "self-cleansing mechanism." Man can do violence to his environment, but an average-size hurricane releases the energy of 100,000 H-bombs. We have survived thousands of hurricanes. The ten million tons of man-made pollutants in the atmosphere must be set against the 1,600 million tons of methane gas emitted by natural swamps every year. Carbon monoxide is produced by cars, but in insignificant amounts when compared to the carbon monoxide produced by nature.

The madness of the doom-sayers is compounded by people who misuse the language and by professors who engage in their own form of academic Newspeak. The Marxists make use of the confusion to promote their own ends. And the theorists of "modern black racism," such as Franz Fanon, preach doomsday "for whites only" in their campaign to substitute the exploited blacks for the white Marxist working class as the true proletariat.

To save the situation Mr. Johnson calls on the "bourgeoisie" to reassert its own values. Among the "ten secular" commandments that must be added to Mosaic law is the "moral axiom" that democracy is the "least evil" form of government. Laws must guarantee property. And words must be used accurately and in good faith.

Mr. Johnson has, of course, declared war on most of our intellectual classes. But the truth is on his side, and his enemies—Marx, Freud, Marcuse, Fanon, the Club of Rome, and so forth—will surely not prevail.

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THIS NATION SHALL ENDURE
by Ezra Taft Benson
(Deseret Book Company, P.O. Box 659, Salt Lake City, Utah 84110, 1977)
152 pages ■ $4.95

Reviewed by Melvin D. Barger

ALTHOUGH obviously written for the membership of The Church of Latter-day Saints, *This Nation Shall Endure* is a reassuring book for Americans of other faiths. It carries some disturbing commentary about the erosion of values that has been robbing us of vitality and purpose. At the same time, however, it expresses complete confidence that we will eventually rediscover this nation's spiritual foundations. The book is a powerful statement of Mr. Benson's religious convictions, and it also reflects his patriotism and his beliefs in the free market, private property, and limited government.

Ezra Taft Benson attained national prominence as U.S. Secretary of Agriculture during the Eisenhower Administration, and more recently he became President of the Council of Twelve, the ranking apostle of his Church. A descendant of one of the original Mormon pioneers who made the historic trek to the Salt Lake Valley with Brigham Young in 1847, Mr. Benson has had a distinguished career as an educator and as a prime mover in farm organizations. He speaks as one who has deep roots in the Mormon traditions and long experience with the economic concerns of Western farmers and ranchers. He also espouses the individualism and self-reliance of farm-bred Americans without endorsing the populist contradictions that have transformed many farmers into Federal dependents.

In Mr. Benson's view, the United States didn't just happen and the successful bid for Independence was not, as some argue, only the result of good fortune, help from the French, and ineptitude by the British generals. No, this nation was directly created by God, and has been blessed above all nations in accordance with Biblical promises. The Declaration of Independence is a "spiritual manifesto, declaring not for this nation alone, but for all nations, the source of man's rights." As for the U.S. Constitution, it is workable only with a righteous people, and Mr. Benson quotes this statement from the first John Adams: "Our constitution was made only for a moral and religious people. It is wholly inadequate to the government of any other."

To anybody who is familiar with the early persecution of the Mormons and the tragic deaths of Joseph Smith and his brother by mob violence in 1844, it is indeed ironic that Mormon leaders such as

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Mr. Benson are today the most patriotic of Americans. The great Mormon migration to Utah in the late 1840s was actually a flight to another country, and for years afterwards there were real differences and even armed conflict between the Mormons and the Federal government. Mr. Benson does not touch on these problems, but he does offer a stirring defense of American freedom and democracy.

Mr. Benson argues that the current threats to American freedom come from the external menace of the Soviet Union and internal moral decay. If anything, the latter is the more serious problem, because a morally decadent people lack both the will and the strength to resist a powerful foreign aggressor: "America's foundation is spiritual. Without the moral base to our system, we are no better off than other nations that are now sunk into oblivion. If we are to remain under heaven's benign protection and care, we must return to those principles which have brought us our peace, liberty, and prosperity. . . . Our problems today are essentially problems of the spirit."

Will we make that necessary return to faith? Mr. Benson believes that we will and he ends on an optimistic note, quoting abundantly from Mormon writings and Biblical prophecies. He views restoration of faith as an essential part of the Divine plan, and he terms the United States the Lord's base of operations in these last days. "This nation will endure," he states. "It may cost blood, but it is God-ordained for a glorious purpose. We must never forget that the gospel message we bear to the world is to go forth to the world from this nation, and that gospel message can prosper only in an atmosphere of freedom. We must maintain and strengthen our freedom in this blessed land."

For non-Mormon readers with strong Christian beliefs, Mr. Benson's book seems conciliatory and gracious toward other religions. For religious skeptics who still follow libertarian principles, the book is a helpful guide to the political and social views of the Church's current leader. For anybody who is concerned about this country's future, Mr. Benson's book is a welcome change from the religious doomsday literature that has been flooding the market. This nation does deserve to endure, despite its many faults and sins. ⊕

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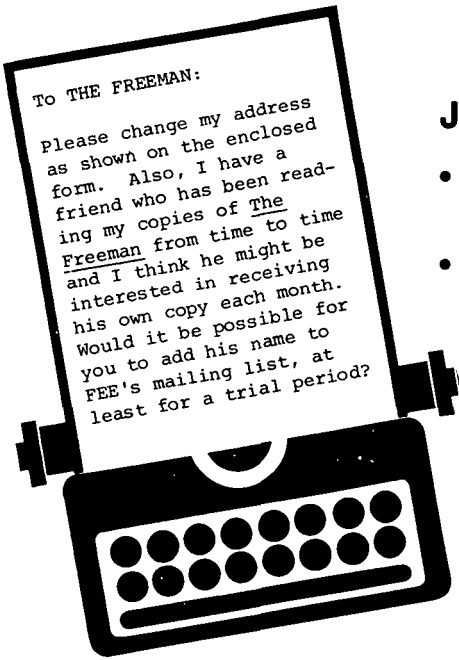
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